



LOTTE CHILSUNG BEVERAGE Co., Ltd.

Sustainability Report 2012



ABOUT THIS REPORT

Lotte Chilsung Beverage Co., Ltd. (hereinafter referred to as "Lotte Chilsung") is committed to becoming a sustainable corporation and one which is socially responsible. As part of this commitment, for the first time in 2013, we have released a sustainability report. This report contains our past achievements and future initiatives and is intended as a way to share such news with our respected stakeholders. We will continually publish the report to actively communicate with stakeholders.

REPORTING PERIOD AND SCOPE | This report covers the period from January 1, 2012 to December 31, 2012. It is based on all the business sectors including the Seoul head office and 10 of our beverage factories, as well as containing selected overseas data. Some performance indicators show the most recent 3 years of performance for the purposes of trend analysis; in the case of meaningful issues, our performance from the years 2011 and 2013 are also included.

GUIDELINES | This report is aligned with the G3.1 guidelines of the GRI (Global Reporting Initiative) and the Food Processing Sector Supplement, and is organized in accordance with the international standards for social responsibility, ISO 26000 core subjects. Furthermore, the appendix of this report contains an index per guideline to help stakeholders comprehend and read this report more easily.

FEATURES | This report has sections called Special Pages for key issues generated through importance evaluation, and the page number is specified on each item of the results of importance evaluation.

VERIFICATION | This report has been verified by an independent specialist group to secure reliability and accuracy. The verification was performed according to the standards of AA 1000AS (2008) and AA 1000APS (2008), and the verification statement is included in pages 62 and 63.



COVER STORY

This image of water means 'Clear and Pure' and represents the company's principle of uniting and leading each other forwards through sustainability. This provides the basis for our leap to become a leading global company.

CONTACT INFORMATION

Your opinion is very important to us. If you have any questions regarding the report, please contact us using the information below.

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CEO Message



“

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

”

Lotte Chilsung Beverage Co., Ltd. carries out a variety of activities to support the company’s sustainable and healthy development and so that we can grow alongside the members of the communities in which we work. Such efforts are aligned with the mission statement of the Lotte Group: namely, that “we enrich people’s lives by providing superior products and services that our customers love and trust.” The release of this Sustainability Report is an opportune moment to share information with our stakeholders on our past achievements as well as to communicate the direction we propose for further growth.

2010 was the 60th anniversary of the company’s founding and thus provided a useful starting point for Lotte Chilsung to announce its vision of becoming a world-class beverage company. Since then, our company has transformed into a comprehensive beverage and liquor company through a series of mergers and acquisitions involving other drinks companies. We have been working to enhance our competitive power in the domestic and worldwide markets. As to the beverage industry, there has been steady growth, including in the coffee and water market. The industry as a whole is widely expected to grow further through the vitalization of the functional beverage market and differentiated products marketing. The liquor industry is going to lead the growth of all the liquor industries; thanks to the leading role of ‘soju,’ Korean distilled liquor and beer, the market share in the liquor industry is on the rise; the share of wine and imported ‘chungju,’ refined rice wine, is also on the increase.

The total sales of Lotte Chilsung in 2012 is 2,015,800 million KRW and continues its course of steady growth. Our company is focused on expanding our existing core businesses as well as creating new businesses to sustain our growth.

Lotte Chilsung is committed to exercising responsibility as the industry’s number one company, providing safe and trustworthy products to customers, and thoroughly controlling the quality from the production stage.

In 2002, our company was recognized for its implementation of HACCP (Hazard Analysis and Critical Control Point), thereby achieving an industry first. Subsequently, all beverage factories were certified with HACCP by 2010. Furthermore, we are ISO 14001 certified. This is an environmental management system that was built with an integrated system for hazard analysis. We have also applied ISO 22000 system, the international standard for food safety management, to the entire factories.

In addition, we support the partners for their sanitary inspection and in becoming certified in the food safety management system. Under the slogan of “2018 ASIA GREEN COMPANY,” and based on green management strategy, our company is licensed with

the industry’s first ‘pre-verification system on products for carbon footprint labels,’ a reflection of our company-wide focus on low-carbon products, carbon footprint labels and efforts to lower greenhouse gas emissions.

Lotte Chilsung is actively pursuing mutual growth with partners through a range of activities established under the slogan of ‘Our partners’ growth is our company’s growth.’ For example, in 2010, we set up a committee of mutual growth promotion, entered into an agreement with partners about ‘fair trade and mutual growth,’ and offered some 10 billion KRW of loans to small and medium-sized partners at low interest rates through operating the mutual growth fund. In addition, we operate a fair trade compliance program (CP), maintain ethical management, and comply with fair trade practices.

Our company takes the initiative in helping the underprivileged through a variety of scholarship activities, food bank donations and more. What’s more, we contribute to the vitalization of the regional economy by hiring local people first at our 10 factories and at over 100 branch offices. In addition, our company is highly esteemed in labor-management culture thanks to the way it runs a suggestion system and a variety of activities designed to ensure harmony between labor and management, not to mention smooth communication between labor and management.

Lotte Chilsung will continuously strive to pursue our chief vision of becoming a world-class beverage company through growing together with our local communities. In doing so, we will actively and transparently communicate with diverse stakeholders. We assure you that this, our first sustainability report, will lay the foundation for systematic and far-reaching sustainability management.

Last but not least, we are deeply grateful for all the love and support we are fortunate to receive from our respected stakeholders, and wish all of us, our communities, our customers and Lotte Chilsung, all the very best for a bright future ahead.

Thank you.

August, 2013

Lotte Chilsung Beverage Co., Ltd., CEO, **Lee Jae-Hyuk**

2012 HIGHLIGHT

In 2012, Lotte Chilsung achieved a varying level of success in the numerous activities it undertook for the purposes of sustainability management, and was awarded for its good advertisement by customers and selected as the best safety food company in Korea.

Agreement with 77 partners on 'Fair Trade and Mutual Growth'

'Chilsung Cider' Campaign wins the good advertisement award

2012 Selected as the best safety food company in Korea

Sponsoring the marine environment supporters group, 'Arame'

Ranked number one in the soju manufacturing category for the fifth consecutive year

January 2012

March 2012

June 2012

July 2012

December 2012

Since 2008, Lotte Chilsung had been preparing for an agreement on mutual growth. In Oct. 2010, our company set up a committee for the promotion of mutual growth under the chairmanship of our CEO. In Nov. 2011, we entered into an agreement with 77 partners on 'fair trade and mutual growth.' The CEO and employees of Lotte Chilsung and CEOs of several partners attended the agreement ceremony and pledged to create an advanced culture of mutual growth between all size companies powered by collaboration and support.

Lotte Chilsung has sought to focus its core operating processes around mutual growth activities since Jan. 2012. We are planning to operate win-win management through expanding this program from 1st tier partners to 2nd tier partners and then on to 3rd tier partners.

The 'Chilsung Cider' campaign of Lotte Chilsung won the Ministerial Award of the Korean Ministry of Culture and Tourism during 'the 20th Good Advertisement chosen by Customers Awards.' The Awards are co-sponsored by the Korea Advertisers Association and the Korean Ministry of Culture and Tourism, and a select group of customers judges the candidates and selects the winners. In the advertisement, 'Chilsung Cider - Sojido island' contained clear and pure images of Korean nature and scenes that consistently portrayed the pursuit of eco-activism, and thus was rated high. Lotte Chilsung will cherish Chilsung Cider's brand equity, 'Clear and Pure.'

For the third consecutive year, Lotte Chilsung was ranked number one in the beverage category as the best safety food company in Korea, chosen by 1,000 customers nationwide in 2012. It was recognized for its efforts in introducing the industry's first 'aseptic filling systems,' filling contents right into sterilized containers in aseptic condition, and leading the national food safety agenda. The survey, under the sponsorship of Hankyung Business magazine, was conducted on 1,000 customers nationwide in the categories of general food, biscuits, beverages, and bakery.

Lotte Chilsung is participating in clean ocean water movement of a marine environment supporters group 'Arame', which is guided by Korea Ocean Environment Management (KOEM). Staffed mainly of university students, Arame engages in on/off line activities such as the mud flat big run and marine litter monitoring, as well as generating public awareness about the importance of preserving the ocean environment.

For the fifth consecutive year, the liquor BG of Lotte Chilsung was ranked number one in the soju manufacturing category of National Customer Satisfaction Index (NCSI) in 2012. Leading the soju market with alkaline soju, 'Chum-Churum (Like the first time in Korean),' the liquor BG increased customer satisfaction using differentiated marketing, acquired high scores in all categories, including customer perceived quality and customer loyalty, and was ranked number one for the fifth consecutive year since 2008.



STAKEHOLDER COMMUNICATION

Lotte Chilsung defines stakeholders as shareholders, customers, employees, partners, members of our local communities, and the government.

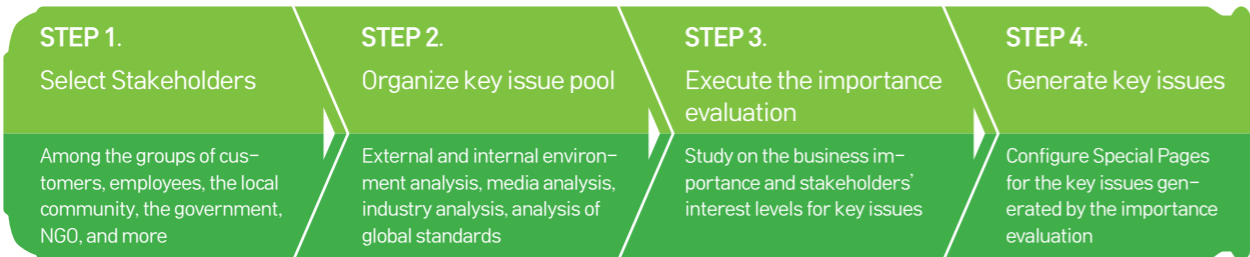
We collect stakeholders' opinions through various communication channels and apply them to our management activities. We listen to our stakeholders in real time by utilizing social media channels, and have published the first sustainability report to enhance the communication with stakeholders.

Lotte Chilsung will continue to publish the sustainability report and thus make our management activities transparent. This will enable us to solidify our position as a socially responsible company.



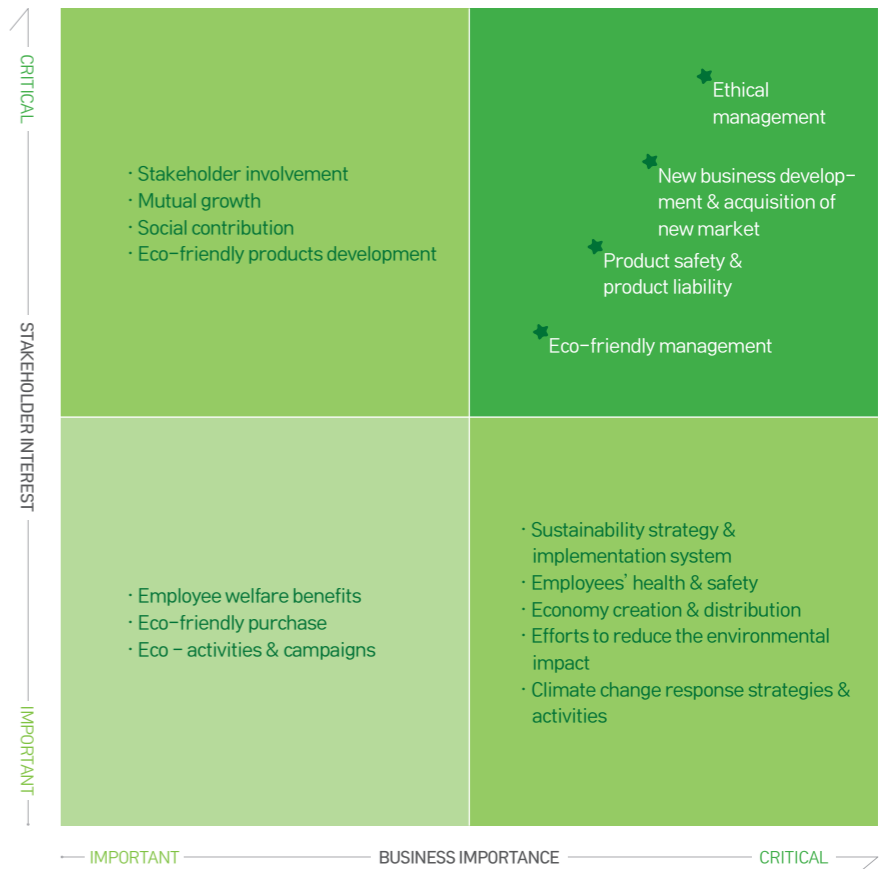
Importance Evaluation Process

Prior to releasing the first sustainability report, Lotte Chilsung conducted a stakeholder survey for 11 days from April 30 to May 10, 2013 in order to listen to stakeholders' opinions. The survey was to study the relation of impact on the company's business activities and stakeholders' interest levels in subjects that include general, economics, society, and the environment. Those generated key issues are defined in special sections herein.



Importance Evaluation Results

We analyzed the external and internal environments, reviewed the performance indicators of Lotte Chilsung, and organized the key issue pool accordingly. 252 of the 3,083 external and internal stakeholders participated in the survey. We first report the results of the key issues in this report.



KEY ISSUES	PAGE	KEY ISSUES	PAGE
Ethical management	19	Sustainability strategy & implementation system	14~15
New business development & acquisition of new market	26~29	Employees' health & safety	36
Product safety & product liability	44~47	Economy creation & distribution	23~24
Eco-friendly management	54~55	Efforts to reduce the environmental impact	50~55
Stakeholder involvement	8~9	Climate change response strategies & activities	48~55
Mutual growth	42~43	Employee welfare benefits	34
Social contribution	40~41	Eco-friendly purchase	51
Eco-friendly products development	52, 54	Eco-activities & campaigns	50~51



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COMPANY OVERVIEW



Lotte Chilsung has been striving to make clear and pure products ever since its foundation in 1950. Fast forward to 2012 and our 60th anniversary, we saw an opportunity to have a 2nd starting point. It was with this in mind that we established a vision of 'a comprehensive beverage and liquor company with total sales of 7 trillion KRW in 2018,' and shared this vision at the enterprise level.

In Oct. 2011, Lotte Liquor and Lotte Chilsung underwent a merger and combined into a comprehensive beverage and liquor company which resulted in creating a synergy effect through cost cutting, and the company is currently focusing on enhancing the competitive power in the market.

The major products of Lotte Chilsung are soft drinks including, but not limited to, 'Chilsung Cider,' 'Pepsi Cola,' 'Milkis,' 'Cantata,' and 'Icis.' The other group is alcohol products including, but not limited to, 'Chum-Churum,' 'Chung-Ha,' and 'Seolwha.' They have been exported to Japan, China, Russian, and many other countries in the world. Lotte Chilsung acquired the wine division of Lotte Asahi Liquor Co., Ltd. as a business of its liquor BG (Business Group).

As a social enterprise, Lotte Chilsung is committed to establishing its position as the industry's number one company by providing products that have the trust of our stakeholders.

Company Profile

- Establishment : May 1950
- CEO : Lee Jae-Hyuk
- Company premises : 269 Olympic-ro, Songpa-gu, Seoul
- Number of employees : 4,442 persons (Beverage 3,289 / Liquor 1,153)
- Business : Beverage / Liquor
- Sales : 2,015,800 million KRW (Beverage 1,513,400 million KRW / Liquor 502,400 million KRW)
- Operating profit : 154,200 million KRW (Beverage 108,800 million KRW / Liquor 45,400 million KRW)

Domestic business (factory) premises

Partners

As of December 31, 2012

BUSINESS (factory)	PREMISES	PARTNERS			
		DOMESTIC	OVERSEAS		
Beverage	● Anseong factory	17, 2 Gongdan 1-gil, Miyang-myeon, Anseong-si GyeongGi-do	Lotte Asahi Liquor Co., Ltd.	Lotte Huabang (Beijing) Beverage Co., Ltd.	China
	● Opo factory	257 Yangbeol-ro, Opo-eup, Gwangju-si GyeongGi-do	CH beverage	Lotte Aodeli Beverage Co., Ltd.	China
	● Yangsan factory	28 Bukjeong-gongdan 1-gil, Yangsan-si Gyeongsangnam-do	Lotte Wine Sales	Lotte Changbai Beverage Co., Ltd.	China
	● Daejeon factory	57 Munpyeongseo-ro Daedeok-gu Daejeon	Chungbuk Soju	Lotte JiuYe(Beijing) Beverage Co., Ltd.	China
	● Gwangju factory	111 Yangil-ro Buk-gu Gwangju	HUI	LOTTE LIQUOR JAPAN	Japan
	● Jeju factory	7908 Iljudong-ro Namwon-eup, Seog-wipo-si Jeju-do		LOTTE Beverage America Corp.	United States
Liquor	● Gangneung factory	7 Gwansol-gil Gangneung-si Gangwon-do			
	● Gunsan factory	222 Oehang 1-gil, Gunsan-si, Jeolla-buk-do			
	● Gyeongsan factory	284-33 Daegu-daero, jinlyang-eup, Gyeongsan-si, Gyeongsangbuk-do			
	● Bupyeong factory	27 Bupyeong-daero 313beon-gil, Bupyeong-gu, Incheon			

History

May 1950	December 1974	December 1995	November 2001	September 2004		
Launched 'Dong Bang' soft drinks partnership	Renamed to Lotte Chilsung Beverage Co., Ltd.	Certified all factories and products by ISO 9001, 1 st in the same industry	Sales reached 1 trillion KRW for the first time of any company in the beverage industry	Ranked #1 in beverage industry category of NCSI		

February 2005	March 2009	October 2010	October 2011	April 2012	
Lotte Chilsung entered the Chinese market, established Lotte Huabang (Beijing) Beverage Co., Ltd.	Acquired 'Doo San' Liquor BG	Pepsi Cola Products Philippines, Inc. (PCPPI) stock acquisition(34.4%)	Merged with Lotte Liquor-combined into Lotte Chilsung Beverage Co., Ltd.	Established Lotte Changbai Beverage Ltd. Launched 'Baekdu-mountain Water' Project	

MANAGEMENT OBJECTIVES SYSTEM

Under the vision of 'a comprehensive beverage and liquor company with total sales of 7 trillion KRW in 2018,' Lotte Chilsung set up business growth goals for our different businesses, including beverage, liquor, and global business. These goals were designed to align with the following 5 business policies: strengthen core capabilities, achieving management by wandering around, cultivation talented personnel, strengthening brand management, and undertaking ensure interval stability.

We operate a vision promotion committee to promote our vision 2018 strategy while diagnosing internal and external management activities as well as monitoring the progress status. In addition, we operate the emergency management committee for sales growth and cost savings, while also aiming for efficiency improvements in internal management through personnel savings, reductions in labor costs and expenses, as well as through capitalizing on energy savings.

Lotte Chilsung will push forward with the group-wide realization of the goal, '2018 Asia TOP10 Global Group.' Thinking and acting as one responsible citizen, our company develops eco-friendly beverages, places a strong emphasis on producing more products with carbon footprint labels on, and promotes energy recycling as well as the introduction of high-efficiency equipment. We also develop eco-friendly activities in consideration of the local community and the environment.

MISSION

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

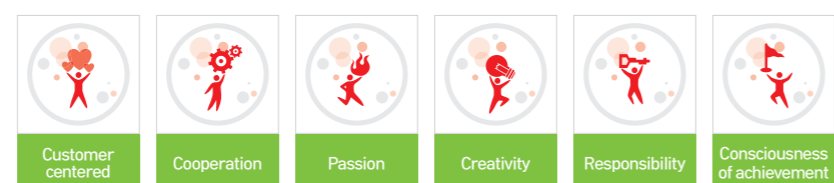
VISION

Comprehensive beverage and liquor company with total sales of 7 trillion KRW in 2018

BUSINESS POLICY

Strengthen core capabilities	<ul style="list-style-type: none"> Focus on core business areas, and secure the market-leading competitiveness Expand into related businesses that can create a synergy effect with our existing ones
Management by wandering around	<ul style="list-style-type: none"> Continuously identify feedback in the field and reflect that within our business strategy Share on-site ideas at the corporate level, and reflect those ideas within management strategy
Cultivation talented personnel	<ul style="list-style-type: none"> Develop human resources by systematic education and differentiated career development to drive future growth Educate in-house talented individuals as the best experts in their industry, region and fields
Brand Management	<ul style="list-style-type: none"> Ensure customer satisfaction and trust, and emerge as a global premium brand Raise our brand value to the world-class level, beyond the leading brand domestically
Ensure interval stability	<ul style="list-style-type: none"> Aware of cost reduction, and reduce habitual expenses Improve management efficiency by investing efficiently

CORE VALUE



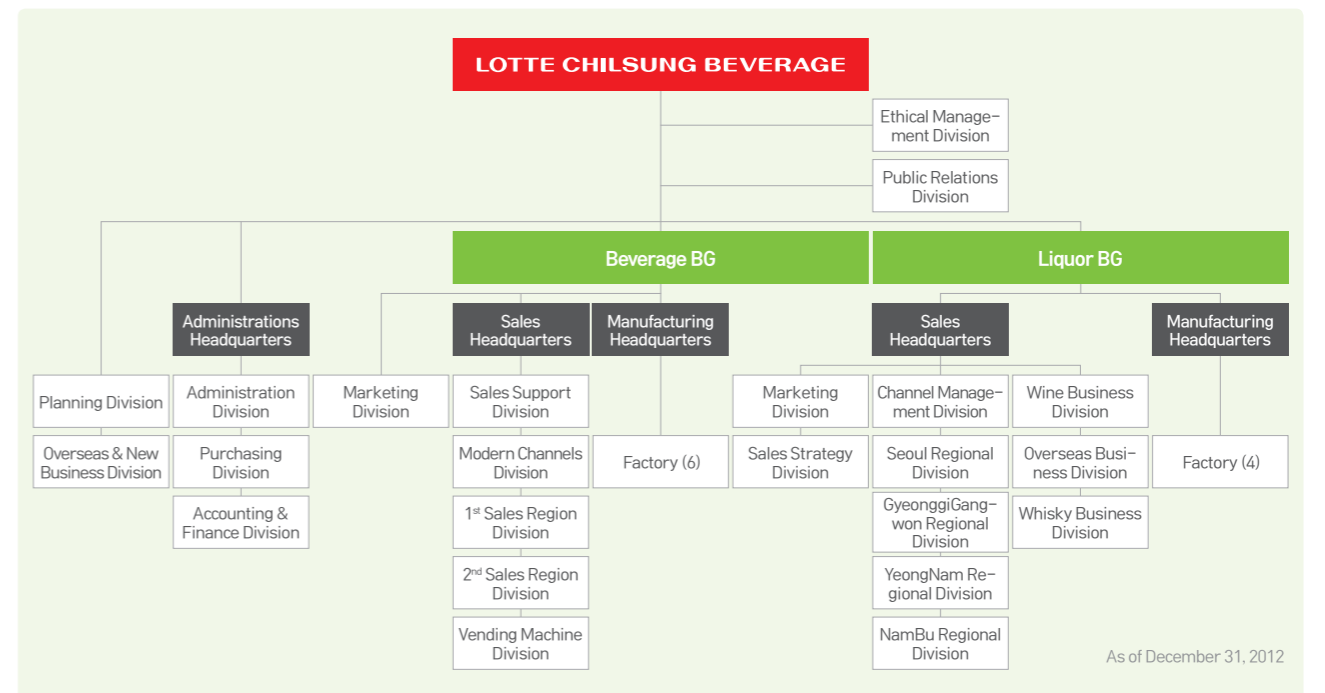
Business Growth Goals

AREAS	CONTENTS	2018 TARGET SALES
Beverage	Strengthen the competitiveness of our carbonated beverage and juice brand	7 trillion KRW
	Increase the sales of coffee beverages	
	Secure M/S No.1 position in the water & tea market	
Liquor	Enhance dominating power in soju and existing liquor markets	
	Successful settlement on beer market	
	Expand into the global market	
New business	Overseas (China, Russia, South East Asia) business expansion	
	Coffee beans business expansion	
	Develop new business	

Organization Chart

After the merger with Lotte Liquor in 2011, Lotte Chilsung divided its business areas into the beverage BG and liquor BG. Our company inherited most of the roles which had existed prior to the merger.

Specifically, we have an ethical management division, public relations division, planning division, overseas & new business division, and administrations headquarters, which includes the administration division, purchasing division, and accounting & finance division. The beverage BG has two headquarters, sales and manufacturing, 6 sections, and 6 factories, which are located in Anseong, Opo, Yangsan, Daejeon, Gwangju, and Jeju. The liquor BG also has two headquarters, sales and manufacturing, 10 sections, and 4 factories, located in Gangneung, Gunsan, Gyeongsan, and Bupyeong. The manufacturing headquarters are in charge of managing 10 factories in total.



Major Beverage Products

BEVERAGE



[CARBONATED] ① Chilsung Cider, ② Pepsi Cola, ③ Mirinda, ④ Mountain Dew, ⑤ Sparkling, ⑥ Milkis



[JUICE] ① Delmonte, ② Cold, ③ Tropicana, ④ Jeju Mandarin

[COFFEE] ① Cantata, ② Let's Be, ③ Let's Be Cafe Time, ④ Cantata Stick Coffee



[TEA] ① Ceylon Tea, ② Lipton, ③ Today's Tea, ④ Nature Tea, ⑤ Tea Sparkling, ⑥ Amazon Secret



[FUNCTIONAL] ① Hot Six, ② Daily C Vitamin Water, ③ Pine Bud, ④ Vita Power

[ETC.] ① Chamdoo Soybean beverage, ② Chamdoo Nutribean Soybean beverage, ③ 2% Thirst Peach, ④ Korean Traditional Beverage, Sikhye of feast



[SPORTS] ① Gatorade

[WATER] ① Iciss 8.0, ② Baekdu-mountain, ③ DMZ, ④ Trevi, ⑤ Evian, ⑥ Volvic

Major Liquor Products

ALCOHOL



① Chum-Churum, ② Saan Soju, ③ Damgeumsoju, ④ Kyungwoul Green Soju, ⑤ KU Soju



① Seoljoongmae, ② Seoljoongmae Gold, ③ Seoljoongmae Sparkling, ④ Remix Sparkling, ⑤ Korean Ginseng wine



① Chung-Ha, ② Chung-Ha Dry, ③ Baekwha Soobok, ④ Seolwha, ⑤ Kookhyang



① Scotch Blue 30, ② Scotch Blue 21, ③ Scotch Blue 17, ④ Scotch Blue International, ⑤ SVEDKA



① MAJUANG, ② CARMEN, ③ BAFI, ④ YELLOW TAIL

GOVERNANCE STRUCTURE

Board of Directors

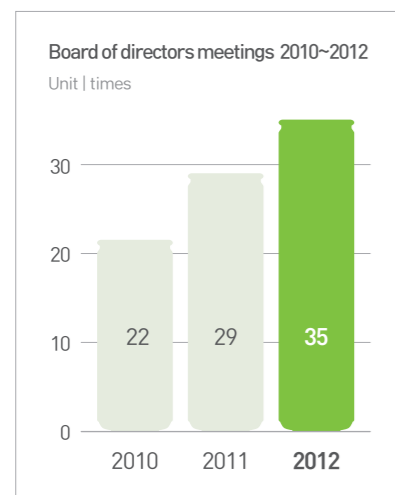
The board of directors of Lotte Chilsung is the highest decision-making body in the company and deliberates and has ultimate executive authority regarding items specified in legislation or in the company's articles of association, matters delegated by the general meeting of shareholders, as well as company's management policy and important issues in regard to work enforcement. The board of directors includes the CEO, 2 internally-appointed directors, and 3 externally-appointed directors, and the CEO of Lotte Chilsung holds the chairman position in accordance with the regulation of the board of directors. In addition, 60% of the entire board of directors consists of externally-appointed directors whose role it is to hold the management board to account for its decisions and performance and to ensure there is transparency in the activities of the board of directors. The externally-appointed directors are verified on their eligibility and elected in accordance with applicable provisions of the nomination committee. The nomination committee, which consists of 3 externally-appointed directors, is an impermanent organization and is subject to commercial law.

Board of Directors

As of December 31, 2012

CATEGORY	NAME	GENDER	TITLES
Internally-appointed director	Lee jae-hyuk	male	Lotte Chilsung, CEO
	Lee sang-chull	male	Lotte Chilsung Liquor BG, director
Externally-appointed director	Kim nam-moon	male	Accounting firm (Myeong-in), president
	Shin jong-dae	male	Law firm (Cheongrim), president
	Lim jung-ho	male	Eco-Greentech Co., president

Operation and Compensation of Board of Directors



Lotte Chilsung holds regular meetings once a month, and the chairman can call an emergency meeting if required. The meeting is assembled when a majority of the current members are present. A notice of the details about the meeting is sent one week ahead of schedule. If unable to attend the meeting, the members are encouraged to participate in decision making by using a telecommunication device with both video and audio capabilities. In addition, a member with a conflict of interest regarding the resolution of the Board of Directors is prevented from exercising his/her voting right. A total of 35 meetings were held in 2012. The current attendance rate is 100%. The agendas which have been processed through the board of directors are as follows: conclusion of investment agreement for promoting beer business, revising the operating rules of the board of directors and more. The remuneration of directors is determined by the shareholders' general meeting resolution. Severance pay is paid in accordance with the provisions of the executive severance payments.

Board of Directors Meetings

CATEGORY	2010	2011	2012
Number of meetings(times)	22	29	35
Attendance rate(%)	80	89	100

Audit Committee

In addition the board of directors, Lotte Chilsung operates an audit committee, organized by a majority of externally-appointed directors, to oversee independence. The audit committee audits accounting and business and can call for an extraordinary general meeting. The audit committee was held twice in 2012, once in 2010, and once in 2011, regarding the review of financial statements and the appointment of the chairman of the audit committee.

01 SPECIAL PAGE

ETHICAL MANAGEMENT

Lotte Chilsung defines that ethical management is 'seeking company profit through transparent management and fulfilling social responsibility, while receiving trust from outside stakeholders including customers, partners, shareholders, the nation, and the society.' Since the declaration of the code of business ethics in 2001, we continuously practice business ethics as our management philosophy.

Ethical Management Activity



Lotte Chilsung defines that ethical management realization is composed of 'business ethics establishment,' 'creating a consensus on ethical management,' and 'basic ethics compliance monitoring organization.' For this purpose, our company develops a variety of activities. Our company established code of ethics and rules of conduct for employees, while providing ethical management training. We also run the Sinnungo system, a hotline which employees can voice their complaints, illegal activities, unreasonable remuneration, and immoral behavior. The Sinnungo system is open to all employees at Lotte Chilsung, including partners and other stakeholders. The received agendas are examined for feasibility; the implementation plan is prepared for gradual improvement.

Ethical Management Training



Ethical Management Training is conducted across the enterprise in order to achieve and uphold the desired corporate culture through spreading awareness of ethical management. Our company provides monthly online training, as well as offline training at Lotte Training Institute, and a training tour to branch offices. Our training emphasizes the need for ethical management and applies detailed measures of ethical management in the workplace. The training contents include a guide to ethical behavior for employees, anti-corruption policy, co-operation with partners, and sexual harassment prevention training for a healthy work environment. All participants are encouraged to submit a written oath while committing to practicing ethical management and developing their will to do so.

Training for ethical management & sexual harassment prevention

CATEGORY	2010	2011	2012
Number of trainings(times)	5	19	17
Number of attendees(persons)	3,486	3,889	3,931

* All full time workers are subject to attending ethical management training

Fair Trade Compliance

In order to establish a transparent competition order based on fair trading practices, Lotte Chilsung has been operating a fair trade compliance program (CP, Compliance Program) since 2010. A self-organization, composed of a compliance officer and representatives, is responsible for monitoring for fair trade compliance. To prevent violations from occurring, our company periodically provides fair trade activity training, focused primarily on label advertisements. We also run seminars on advancing evaluation standards for fair trade agreement. In addition, according to the fair trade compliance manual, the compliance officer audits the overall company activities, reports the results to CEO and the board of directors, and establishes the improvement plans through consultation with managers. In 2012, there was a penalty or sanction imposed against our company for violating the Fair Trade Act.



SUSTAINABILITY PERFORMANCE

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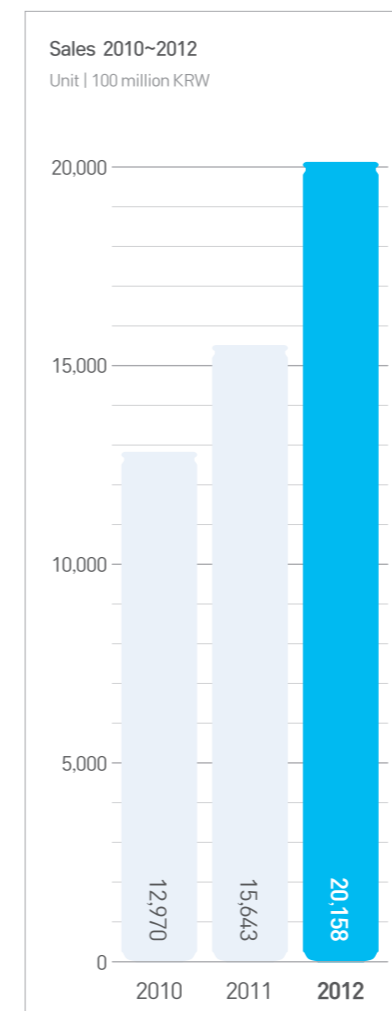
CREATING ECONOMIC VALUES

In order to meet the sales target of 7 trillion KRW by 2018, Lotte Chilsung established mid and long-term financial plans for each business sector. This includes plans for both vitalizing existing businesses and creating new businesses, as well as advancing into overseas markets. By improving tax accounting process, systemizing corporate credit card expenses management and budget performance reporting, we practice budget savings and financial stability.

Creating Economic Values

Lotte Chilsung established mid and long-term business growth goals for its business sectors, including its beverage, liquor and overseas business. This includes expanding its brand business, developing new markets, and securing growth engines.

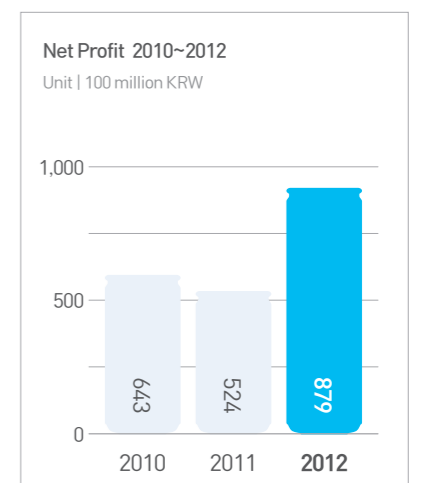
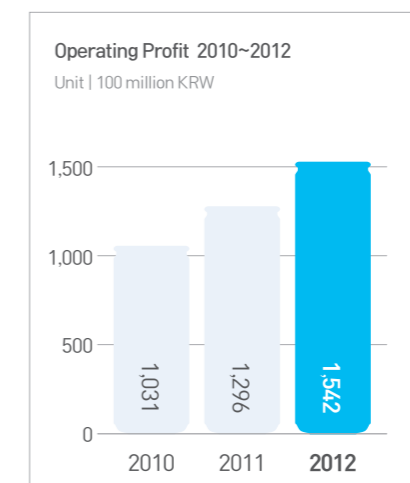
In 2012, the sales of the beverage product 'Hot Six' reached 50 billion KRW. The market share of the liquor product 'Chum-Churum' accounted for 15% in soju market. Sales in 2012 increased by 29% to 20,158 100 million KRW year-on-year.



Creating Economic Values(2010~2012)

Unit | 100 million KRW

CATEGORY	2010	2011	2012
Sales	12,970	15,643	20,158
Operating Profit	1,031	1,296	1,542
Net Profit	643	524	879



Distribution of Economic Values

Lotte Chilsung has been sharing economic value created through its business activities with diverse stakeholders, including shareholders, employees, partners, the local communities, the government, and public institutions. By increasing sales through our enhanced business value and securing growth engines, we will strive to distribute additional value to our stakeholders.

Distribution of economic values

Unit | 100 million KRW

CATEGORY	2011	2012
PARTNERS Investment, raw material, out-sourcing, service charge, etc.	10,455	10,973
EMPLOYEES Salary/bonus, severance, welfare, training, etc.	1,930	2,279
GOVERNMENT, PUBLIC INSTITUTIONS Taxes and other official charges	405	402
CREDITORS Disclosure cash flows statement	216	239
THE LOCAL COMMUNITY Social contribution expenses (donations, food banks, etc.)	42	51
SHAREHOLDERS Dividends	41	48

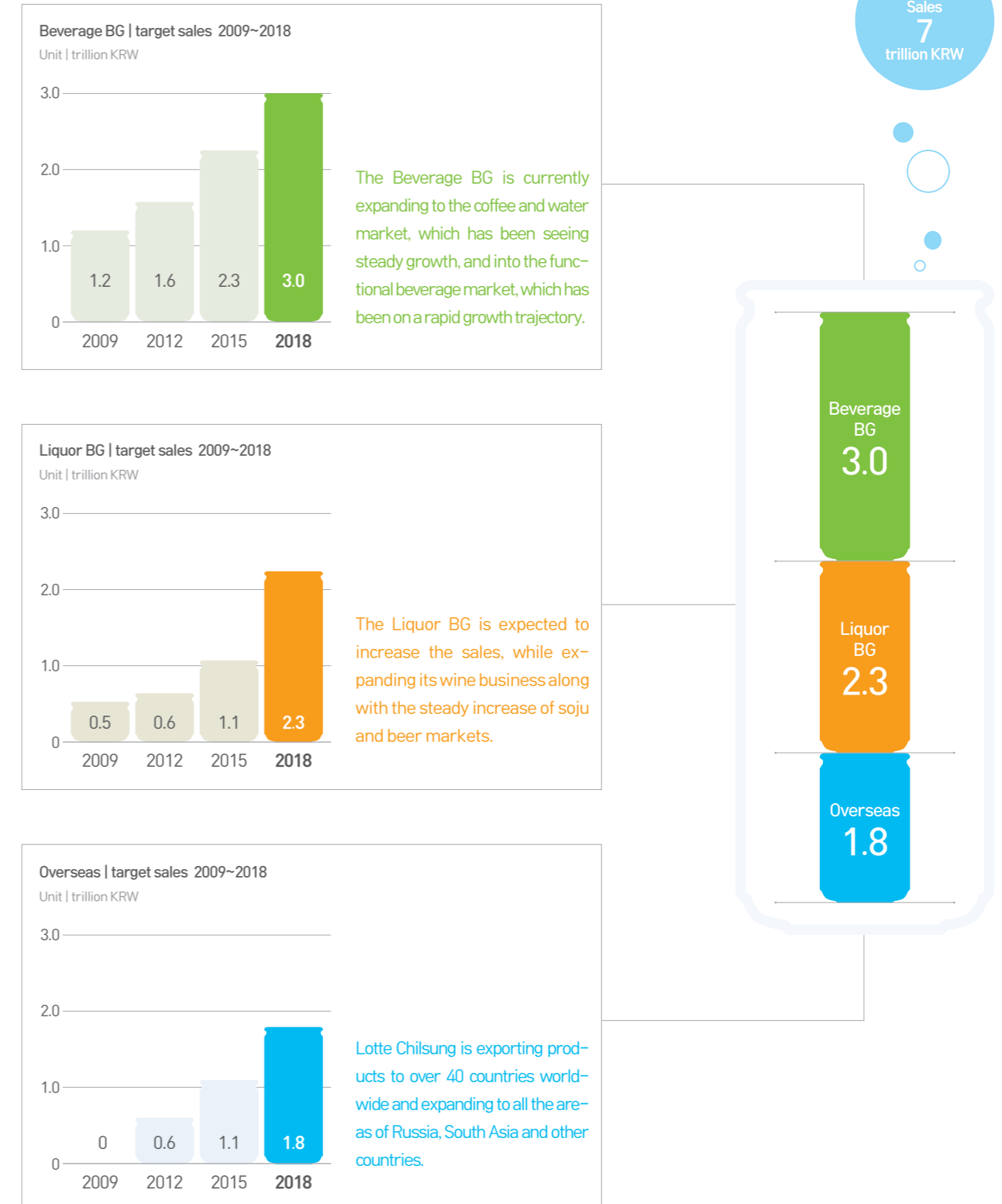
* Economic values are displayed based on the merger with liquor BG in 2012

Indirect Value Creation

Lotte Chilsung contributes to creating more jobs at overseas workplaces by hiring local people. Chinese workplaces, for example, are staffed by 100% local people, and the suppliers are selected based on national registration. The raw materials are purchased according to 'Detailed list of purchasing raw materials,' and the suppliers get disqualified if they fail on periodic evaluations.

In the case of our Japanese local business, local people are hired in accordance with the local people employment procedure, and senior managers are dispatched from headquarters. The rate of employment of local people was 70% in 2012.

2018 Sales Target by Business



02
SPECIAL
PAGE

NEW BUSINESS DEVELOPMENT & ACQUISITION OF NEW MARKET

Lotte Chilsung is working to secure its position as a global company through developing new business, creating new markets and expanding its share of overseas markets. Our company is laying the groundwork for future growth by enhancing our new business capability, including through increasing the market share of Pepsi Cola Products Philippines Inc., a bridge-head to enter South East Asian market, establishing a sales subsidiary in Russian market, and increasing the product quality of Chinese subsidiary and its sales. In addition, our company is undertaking a wide range of efforts to raise the brand value by developing and renewing products which reflect the needs of customers.

New product development and new business launch

Lotte Chilsung is committed to developing new products and new markets, while keeping the pace with the ever-changing customer trend. In Dec. 2011, the acquisition of Lotte Asahi Liquor's wine division with its over 700 wine brands enabled our company to build a well-balanced brand portfolio, covering new and old continents, including France, Italy, Australia and Chile.

In addition, Lotte Chilsung made an investment agreement with Chungju city in regards to establishing a beer factory, and is planning to build it on a site scaling 99,000m² in the Chungju New Industry Complex zone by 2017. In doing so, Lotte Chilsung is actively contributing to reviving the local economy, while creating more jobs through hiring talented local people, inviting local construction companies to participate in construction work, and sourcing materials and equipment from regional suppliers.

Lotte Chilsung will endeavor to increase revenue and market share, develop competitive products and new business through trend analysis and by identifying customer needs.



Chungju Beer Factory

Icis 8.0 Baekdu-mountain Ha-neul-saem



In Dec. 2012, Lotte Chilsung released a premium-level natural mineral water, 'Baekdu-mountain Ha-neul-saem,' which is produced within Baekdu-mountain nature reserve. 'Baekdu-mountain Ha-neul-saem' is alkaline natural mineral water, which is rich in various natural minerals and has a clean water taste. It is water that has been purified through long natural processes, passing through alkaline volcanic rocks at the foot of the Baekdu-mountain. This process means the water is rich in calcium, magnesium, and silicon, which are all good for health.

'Lotte Icis 8.0' was renewed in July 2012; it is alkaline natural mineral water with an average pH of 8.0, and is produced from a bedrock aquifer located in Cheongwon-gun Chungcheongbuk-do. 'Lotte Icis 8.0' has a hardness ranging from 50 to 60, and is characterized by a smooth feel with a tender taste when drunk. It is a balanced alkaline mineral composition of natural mineral water, which in turn helps control the mineral balance of our bodies, acidified from Western-style diets. Little wonder then that it is so well loved by customers.

Let's Be Café Time



In Dec. 2012, Lotte Chilsung released 'Let's Be Café Time,' a premium product addition to its existing 'Let's Be' with an increased capacity of 240ml. It has a soft taste containing the natural aroma of coffee with reduced sugar. 'Let's Be Café Time' appeared on TV, featuring with a popular girl group Sistar and the actor Lee Sang-woo as models. Moreover, a variety of events were conducted, giving workers vitality and spurring them up at work.

Cantata Stick Coffee



In June 2012, 'Cantata Stick Coffee' was released. It achieved success in differentiating from the existing coffee mix by the reproduction of rich flavor and aroma of traditional coffee, which contains the fine powder of ground coffee beans. 'Cantata Stick Coffee' comes in a total of four varieties. The first two are conventional coffee products with cream and sugar, 'Mild Gold' and 'Rich Gold.' The other two are high-end products, reproduced as Americano coffee in coffee shops, 'Americano Sweet' and 'Americano Black.' 'Cantata Stick Coffee' products are all extracted from 100% Arabica coffee, prepared in a manner of ARS (Aroma System, flavor reinforcement system), are getting a good response from customers.

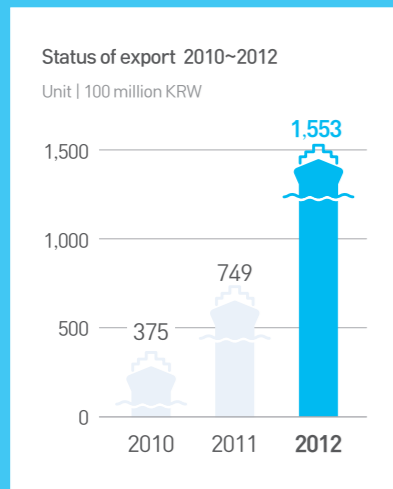
Chum-Churum



The 'Shake It!' campaign started in 2007 to advertise a smooth taste soju, 'Chum-Churum.' In 2013, the 'Happy Water' logo was introduced to express the iconic image of Dae-gwan-ryeong mountains foothills and the water droplets, which is 100% natural bedrock water for 'Chum-Churum.'

The following three varieties of soju are captivating the taste buds of the customers: 'Bu-deu-leo-un Chum-Churum' (19 degrees of alcohol content), as the flagship, 'Jinhan Chum-Churum' (21 degrees of alcohol content), which boasts a premium soju taste, and 'Sunhan Chum-Churum' (16.8 degrees of alcohol content), with a mild taste soju.

Advancing to Overseas Market



* Flavor (RTS, Ready to Serve) Product
Spirits or liqueur products which are served over ice and contain the contents of various fruit flavors mixed to the optimum flavor and balance.



Since the first export of 'Chilsung Cider' to Vietnam in 1966, Lotte Chilsung has been exporting a variety of liquor products, including 'Chum-Churum,' 'Seoul Makkoli,' 'Chung-Ha,' and more. It also exports beverage products such as 'Milki's' and 'Let's Be' to over 40 countries worldwide.

The largest export item among the liquor products of Lotte Chilsung is Soju; it ranked number one in terms of exports for the sixth consecutive years from 2005 to 2010. Around 100 bottles of soju were annually exported to Japan. 'Chum-Churum' entered into the UK market, a first for the soju industry. It developed the flavor product* 'Hun-wali-Kyungwoul Green Soju' to better serve the needs of female drinkers who pursue convenience and people in their 20s, while leading the growth of a new category in the Japanese liquor market. As to beverage products sales, 'Milki's' is the largest. It has achieved substantial results, most notably in Russia, with an average growth rate (CAGR) of 9% per annum.

Lotte Chilsung is developing global marketing along with a variety of localization efforts and is planning to expand exports across Russia, including Moscow and Siberia, as well as to Southeast Asia.

A bridgehead to enter South East Asia market, PCPPI



PCPPI factory



Pepsi University

Pepsi Cola Products Philippines Inc. (PCPPI) was established in 1965. In 2012, Lotte Chilsung acquired PCPPI, the exclusive PepsiCo bottler with 47 years of history, and entered the South East Asia market.

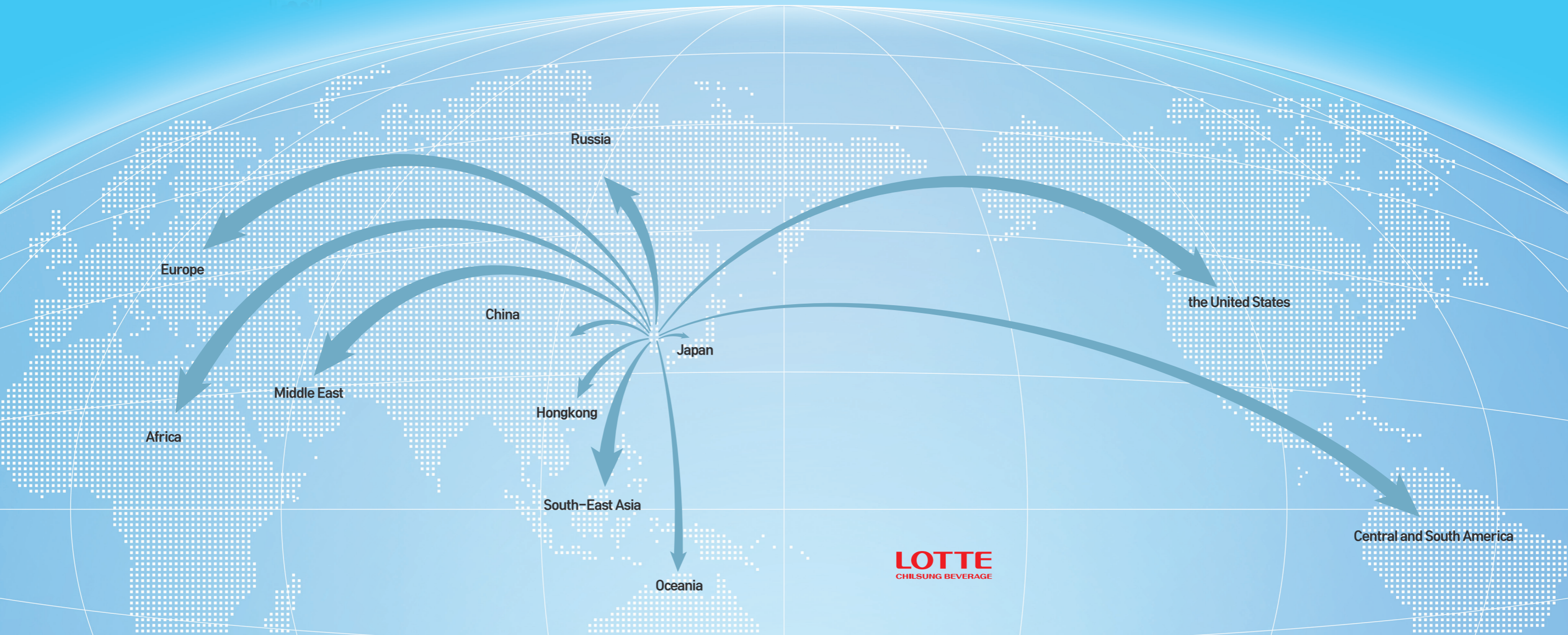
PCPPI is operated by a local staff of approximately 4,700 people in a total of 11 factories with 28 production lines in major cities, while producing approximately 127,360 thousand C/S products; the main products produced and sold include 'Pepsi Cola,' 'Mountain dew,' 'Gatorade,' and 'Lipton.'

Lotte Chilsung is committed to increasing its market share in the Philippines' beverage market through ongoing equipment investment, adding more competitive products, and employee empowerment.

In 2012, it constructed a state-of-the-art bottling line for carbonated and non-carbonated beverages by building extensions to its San Fernando and Zamboanga factories. In order to expand the non-carbonated beverage family to the Philippines' beverage market, Lotte Chilsung entered into a partnership with Peter Paul Philippines Corp. (PPPC) and has since undertaken a variety of activities in support.

In addition, Lotte Chilsung is improving the competitiveness of PCPPI by strengthening the capabilities of employees through the 'Pepsi University' that was founded in March 2005.

Keeping the visions in mind of '2018 Asia TOP10 Global Group', and 'a comprehensive beverage and liquor company with total sales of 7 trillion KRW in 2018', we will do our best to develop competitive products with aggressive equipment investment for PCPPI.





EMPLOYEES

Lotte Chilsung respects the human rights of our employees and is an equal-opportunity employer who respects and values diversity in the workplace. There is no discrimination based on sex, education, religion, or other matter of prejudice. In accordance with international labor law, both child labor and forced labor are prohibited. In addition, we endeavor to reflect our employees' opinions in delivering greater welfare benefits to work-life balance that our employees enjoy.

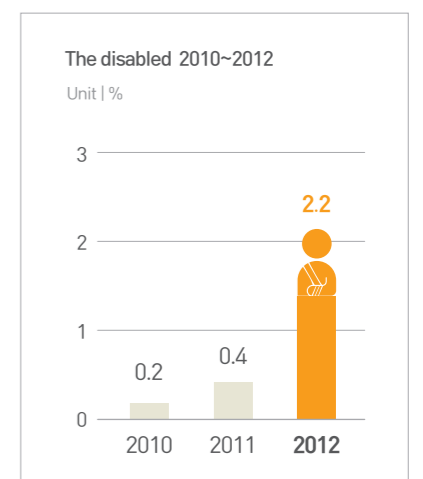
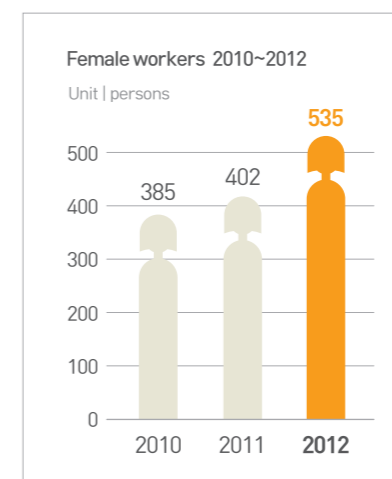
The total number of employees of Lotte Chilsung is 4,442; the ratio of male is 88%, and that of female is 12%. Among them, the beverage BG includes 3,289 employees, and the liquor BG includes 1,153 employees.

Full-time employment rate for women in 2012 was 29.4%. In accordance with the 'charter of diversity' established and announced at the enterprise level in 2013, we are planning to hire more than 35% of new female employees.

The employment rate of those with a disability in Lotte Chilsung was 2.2% in 2012, a year-on-year increase of 1.8%, and we are also planning to increase the employment rate of this group. The rate of reinstatement from child-care-leave was 100% in 2012; all applicants were women.

Employment Status

CATEGORY		2010	2011	2012
Total Employees	Total employees(persons)	4,250	4,176	4,442
	Contractor rate(%)	13.2	11.5	13.5
	Female employees rate(%)	9.1	9.6	12.0
New Employment	Employment rate of the disabled(%)	0.2	0.4	2.2
	New employment rate of women(%)	38.3	31.9	29.4
Resignation	Resignation rate(%)	14.3	11.9	11.2
Child-care-leave	Applicants of child-care-leave(persons)	-	3	5
	The rate of reinstatement from child-care-leave(%)	-	66.7	100



※ The total number of employees includes full-time workers and contractors only. The numbers of part-time workers and others are excluded.

※ In 2012, the mandatory employment rate of the disabled for Lotte Chilsung was 2.5%.

Human Rights Protection

In Lotte Chilsung, the basic salary for new employees of men and women ranges from 270% to 290% of the legal minimum wage in 2012. There is no discrimination based on sex, race or religion. A special recruitment drive is conducted at the enterprise level for those with a disability and this is undertaken in conjunction with the Employment Agency for the Disabled.

Lotte Chilsung complies with the principles of the prohibition of forced labor and child labor.

In 2012 there were no violations related to forced labor, child labor, or discrimination.

Talented Training Program

Lotte Chilsung empowers the capabilities of employees through a variety of talented training programs: it provides job skills training programs to develop job expertise, sales and production capabilities, as well as global language courses and in-house language courses to train global leaders. We provide in-house training as well as commission training, and offer specific and systematic training.

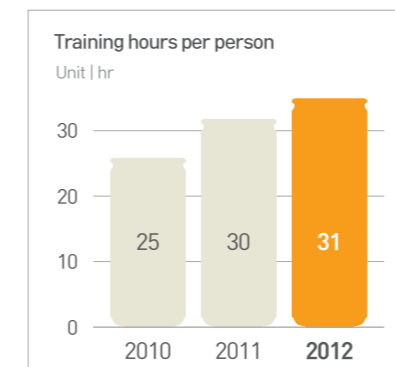
Lotte Chilsung will continue to provide job skills training programs and develop training programs for female staff.

Training System

CAT- EGO- RY	HIERARCHY·LEADERSHIP COURSES			JOB SKILLS			TALENTED INDIVIDUALS			GLOBAL TRAINING
				BEVERAGE FOCUSED		LIQUOR FOCUSED				
Exec- utives									Group MBA course	Executive Global Language Course
S									Outside of the company MBA Courses	Sojourning employee candidates training course
M									Work School Course	In-house Language Course
SA										
A										
Below JA										

※ S: Senior Manager / M: Manager / SA: Senior Assistant / A: Assistant / JA: Junior Assistant

Employee Training Status



CATEGORY		2010	2011	2012
Training time (hr)	Total training time	107,803	126,006	138,418
	Training hours per person	25	30	31
Education cost (thousand KRW)	Total education cost	1,378,371	2,063,067	2,350,379
	Training costs per person	324	494	529

EMBA & School

According to 'Making Policy', the beverage BG has built a human resources training system which includes the provision of job skills training and foreign language training for future global leaders. In addition, the beverage BG selects talented individuals who graduated from work school, junior school, and EMBA according to their job positions. Those selected are then provided with enrollment on the next-generation leader course in which they can get support in studying for an MBA in Korea.

V Team & Cool Lab Course

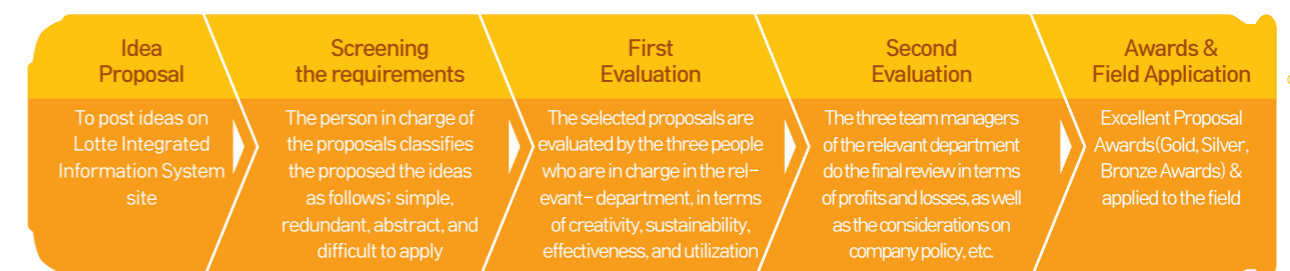
Since 2009, the Liquor BG has been operating 'Cool Lab' for talented junior individuals and 'V Team' for talented senior individuals, as part of talented individuals training courses. 'Cool Lab' is designed to train talented individuals by creating innovative ideas and systematic studying through challenges during workshops. 'V Team' is to train senior-level talented individuals as enterprise-level leaders through developing the company's mid and long-term growth engine business.

The recipients of training are selected among applicants. Those who completed the training and its associated long-term projects are rewarded with the chance to receive training abroad.

In order to stabilize the foundation of beer business, a beer related general training is given at enterprise level; also ongoing are beer master course for team leaders and managers and sales master course for leaders.

Internal Suggestion System Operation

Lotte Chilsung operates a 'Suggestion System' to improve the sense of belonging and satisfaction of employees, as well as develop the ability to react to domestic or foreign management environments. The suggestions received through the on-site system are proceeded with first and secondary screenings, and then applied to the production in conjunctions with proper departments. This system, in conjunction with Key Performance Indicators (KPI) are operated with a reward system to encourage employees to participate. In addition, the suggestion status is shared across the enterprise through periodic reporting.



Employees of Pepsi Cola Philippines to visit Korea (Lotte Awards)

In Feb. 2012, Lotte Chilsung invited executives of Pepsi Cola Philippines to Korea and conducted 'Lotte Orientation.' It was the initial training since the acquisition of Pepsi Cola Philippines in 2010. The training lasted for four days, including field trips to Lotte Chilsung headquarters, Ansong factory, the distribution center in Gwangmyeong city, which was to study the production and distribution systems. The 'Lotte Awards', an annual event which started since the first half of 2013, are given to outstanding employees of Pepsi Cola Philippines, while giving them a chance to participate in training overseas. The 'Lotte Awards' will also be given to the outstanding employees in China, commencing in the second half of 2013. This is to inform the status of Lotte in Korea, and we expect to create a bridgehead to enter the Southeast Asia market through the active exchange program.

Family-friendly welfare benefits

Lotte Chilsung provides a variety of equal welfare benefits programs to full-time employees and contractors alike to support for their stable and healthy life styles. This benefits program covers medical and health plan, livelihoods, housing, and leisure activities. This is to support employees' stable lives. Employees' opinions are actively reflected in the program as well.

The beverage BG provides differential benefits according to the level of employee seniority, and indeed helps employees in general to tailor their own welfare program. The business group recognizes that the stability and growth of branches will feedback to company's growth. For this reason, the beverage BG is unfolding a variety of supportive activities for the branch offices to strengthen the ability of salespeople, those who directly communicate with customers. Hence, better customer interactions lead to increased sales and gain customers' trust. In the future, we are planning to pursue a cafeteria welfare benefits. The liquor BG is planning to revise the relations of housing loans to support a wide range of employees.

 Expenditure for congratulations and condolences	 School Loans	 Medical Assistance	 Insurance
 Housing Fund	 Long Service Awards	 Car Allowance	 Vacation Assistance

Fair Performance Evaluation and Compensation

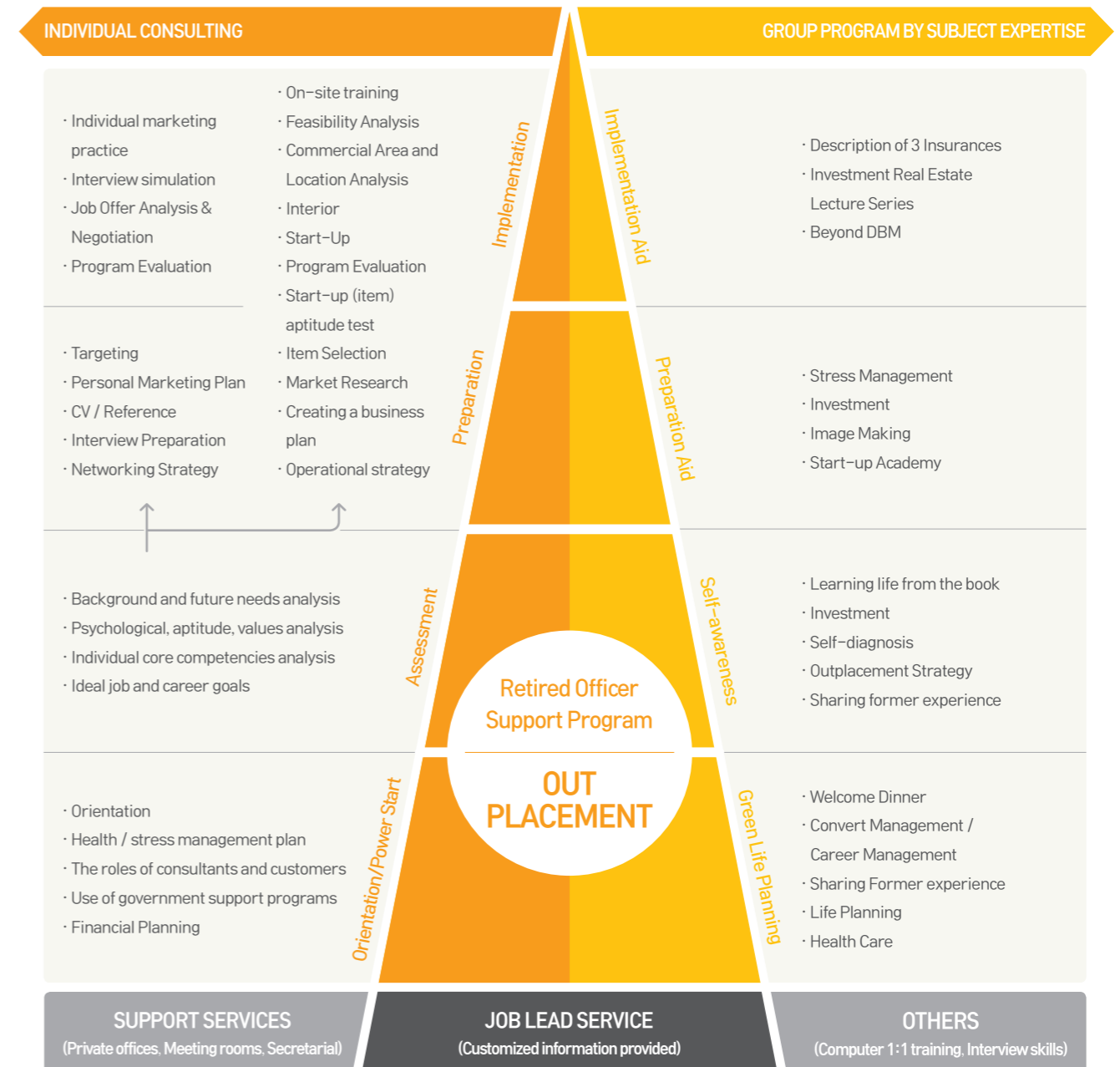
Once a year, an individual's work performance is rewarded through the evaluation process. The evaluation process is conducted on all regular workers regarding their work ability and performance, with differential incentive payments awarded to them accordingly. Those who disagree with the results of the evaluation are able to submit an application and request for an interview. Based on the discussion with a description of the differential reward, the interviewee may require re-evaluation. If necessary, the interviewee may submit a career development plan which contains information about a desired job and occupational group, and request a department transfer. This 'Career Development Program' is designed to help employees demonstrate their abilities to the fullest. All executives and employees are subject to the periodic evaluation. So far, 30% of core managers and 26.8% of general workers have participated in the 'Career Development Program.'

Stable Retirement Support

※ Defined Contribution Retirement Pension is also available, however, it is intended to be applied to employees on the salary peak system only.

Lotte Chilsung operates a 'Defined Benefit Retirement Pension' program from Lotte indemnity insurance company, which ensures stable retirement payments. Employees with over a year of service are subject to the program as specified in the operating instruction of retirement payment.

Lotte Chilsung operates 'Outplacement' program to support retired executives design their new lives after retirement through a career transfer. This systematic retirement support program lasts for the duration of six months and includes one-on-one consulting and group lectures. In 2012, this program was conducted on three retired executives.



Health Promotion Program

Lotte Chilsung operates a 'Diet Fund' and 'No Smoking fund' as part of its health promotion program. All participants will need to deposit 70 thousand KRW to open their fund accounts. If a participant's body fat percentage falls by over 5%, based on in-house checkup results, or his/her nicotine residuals are not found, the winner gets access to the company's support fund as well as the deposit money of all the losers. This program is to bring attention to employees' health and support for living work-life balance. In 2012, a total of 108 people participated, of which 52 people succeeded and received a cash prize. Lotte Chilsung will continue to operate a variety of programs for the health of our employees and for a healthy work-life balance.

Activities for Health and Safety

Lotte Chilsung operates the 'Occupational Safety and Health Committee' for employees' health and the safety of working environment. Our company calls a committee meeting on quarterly basis to share the safety check results, conduct risk assessments on all workplaces, arrange and promote subsequent improvements. Each workplace is subject to having the company's safety-health-environment management policy, the declaration on environmental health safety, the guidelines for occupational safety and health. Lotte Chilsung will continue to operate improvement activities for employees' safety management.

The accident rate of Lotte Chilsung in 2012 was 0.6%; a total of 26 incidents such as fractures, sprains, ligament injuries were reported.

Lotte Chilsung is conducting various training programs in regard to accident prevention, safety regulations, and fire prevention. Special attention and treatment are given to workplaces which are found to have a higher risk of accidental death.

In addition, in order to prevent major industrial accidents, we submit a process safety report to the disaster prevention center, and investigate harmful factors which can cause muscular skeletal disease in employees. All the beverage factories are conducting a smoking cessation campaign, while installing the smoking cessation banners, opening a smoking cessation class and endeavoring to create smoke-free factories.



Smoking cessation class



Smoking cessation banners

Grievance Committee Operation

Lotte Chilsung listens to the proposals of employees and other diverse opinions through the labor council and grievance systems, and actively treats all issues found. It calls a council meeting on quarterly basis, collects the opinions of employees, and tries to solve the issues raised as early as possible. In addition, the grievance system treats job-related concerns, personal distress, female complaints, as well as retirement counseling, while providing feedback on every issue raised.

In 2012, the number of complaints were a total of 113 cases, of which counseling regarding work environment and personal distress was the most common. There were no complaints related to human rights.

Grievance Performance

CATEGORY		2010	2011	2012
Number of Complaints (cases)	Job and Work Environment	60	2	61
	Suggestions and Inquiries	20	1	47
	Counseling for Women	5	-	-
	Retirement and Personal Grievances	12	1	20
	Others	10	-	3
	Total	107	4	131

Equitable Labor Relations

Lotte Chilsung respects the freedom of association, informs the other party in advance in the case of redefining regulations and operational changes. We also operate a variety of communication channels to establish a new kind of labor-management partnership, which is based on trust and achieved through open communication.

On the 60th anniversary of our foundation, Lotte Chilsung declared a vision of 'Creating reasonable, productive, and new labor-management culture commensurate with being the best leading company.' Accordingly, we established a motto, which is to 'establish a partnership, emotional management, cooperation of labor-management', as well as practical tasks in order to create the best synergy. We support activities to improve the level of employee satisfaction through emotional management as a priority. Since 2010, we have visited nationwide branch offices and met with members of our in-the-field sales force. We also provide late-night snacks, while strengthening a sense of belonging and unity.

Each year, we hold the labor-management pep rally to praise the efforts of union members, and have a time to bring about the harmony.

The labor union is comprised of a set of members selected by labor-management consultation; however, the following employees are excluded: human resources officers, labor section officers, accountants, finance officers, audit services workers, and security officers. In 2012, the participation rate of the labor union at Lotte Chilsung was approximately 47%; there was no strike, resulting in no loss of work, and this was achieved thanks to the great communications between labor and management.



Labor-management pep rally

CUSTOMERS

Lotte Chilsung ensures the safety of the product in priority through a systematic quality control, is aiming at improving the reliability of products and customer satisfaction. In addition, we actively collect customer feedback by operating a variety of communication channels and reflecting on the development and production of our products. A responsive company, we are committed to producing products which meets the needs of our customers.

Customer Communication

Lotte Chilsung has developed social media marketing as a communication channel to reach out to customers. We hold various events through social media such as delivering news and information about our products and listening to different opinions at the same time.

We have been improving the brand awareness, including 'Chilsung Cider', 'Hot Six', 'Cantata', 'Chum-Churum', 'Chung-Ha', 'Scotch Blue' through our social media channels while, at the same time, strengthening our communications with customers. We check comments received on social media in real time, and try to respond the opinions of the customers to our production quickly. In addition, we investigate customer preferences for products by identifying customer needs, and improve the levels of customer satisfaction.

Social Media Operation

Beverage BG			Liquor BG		
CATEGORY		URL	CATEGORY		URL
Blog	Lotte Chilsung	blog.naver.com/echilsung	Blog	Chum-Churum	www.firstsoju.com
	Twitter	twitter.com/sparkling_7star		Mirim	www.ilovemirim.com
Facebook	Chilsung Cider	www.facebook.com/LotteChilsungCider	Twitter	Chum-Churum	twitter.com/first_soju
	Hot Six	www.facebook.com/hot6ix	Facebook	Chum-Churum	www.facebook.com/firstsoju
	Cantata	www.facebook.com/CANTATACOFFEE		Chung-Ha	www.facebook.com/lotte.chungha
	Daily C Vitamin Water	www.facebook.com/dailycvaminwater		Wine	ww.facebook.com/LotteWine
		Scotch Blue		www.facebook.com/whiskyscotchblue	
YouTube		www.youtube.com/user/Lotte7star	Brand site	Chum-Churum	www.soju.co.kr
Other Internet Channels	Lotte Chilsung Brand Site, Cantata Home page, Lotte Chilsung Website			Chung-Ha	www.chungha.com
				Chung-Ju	www.cheong-ju.co.kr
				Seoljoongmae Sparkling	www.s-sparkling.co.kr
			Wine	www.wine.co.kr	
			YouTube	Chum-Churum	www.youtube.com/user/firstsojutv

The Nation's 1st Bottled Water Home Service

Lotte Chilsung has successfully implemented bottled water home delivery service, for the first of South Korea. This service is to deliver bottled water to the desired location at the desired time. Customers can order easily through Lotte Chilsung's website, <http://mall.lottechilsung.co.kr>. Goods for sale are plain bottled water, including 'Icis,' 'Icis 8.0,' 'DMZ,' and 'Icis, Jr.', as well as premium bottled water, 'Evian,' and 'Volvic.' Customers can also place orders by phone: (080-466-2000). Lotte Chilsung launched selling the bottled water through Lotte Home Shopping from Nov. 2011 in order to inform more customers of this service. Selling bottled water through TV home shopping was a first for South Korea, and Lotte Chilsung introduced the home delivery service through its broadcast, holding a special promotion to give out a complimentary gift box of 'DMZ Clean Water 2L' for all customers who made phone calls.

Customer Interaction Marketing(SEED TF)

Since 2011, Lotte Chilsung has been operating SEED TF as a permanent organization which is engaged in field-based customer communication. By continuously monitoring the selected stores, the SEED TF assesses the market situation and customer needs, utilizes those for the development of new products, including containers and taste. It also reflects the data in improvements as to the way merchandise is arranged on the shelf. The SEED TF is aiming to increase the happiness of customers by developing products which meet their needs along with strengthening communication with customers.

Customer Claims Improvement Cases

Lotte Chilsung is developing a range of improvement activities in consultation with the relevant departments to address the complaints received from customers. In 2012, the major two improvements were to the quality of carbonated water bottle and the replacement of raw materials. Our company is actively coping with customer claims at the enterprise level.

Claim Improvement Cases

CATEGORY	COMPLAINTS	IMPROVEMENT CASES
Quality improvement of carbonated water bottle	Accumulated empty bottles damage, in accordance with reusable glass bottles of carbonated products	The damage rate fell by 40% through process improvement
Replacement for raw materials from Japan	The increased consumer anxiety over raw materials from Japan due to the Fukushima nuclear power plant accident	Improved consumer complaints and product safety by replacement of the origin of all raw materials from Japan

Customer Privacy Protection

Lotte Chilsung operates an enterprise-wide Privacy Policy by running the personal information protection committee to protect customer information and prevent privacy breaches from occurring. In order to avoid the leakage of personal information, or its alteration, we implement managerial and technical measures and ensure that all such information is protected. In addition, our company holds training for the Sales and administration headquarters specifically regarding the infringement of personal information as well as the main content of the law on personal information protection. We also strive to make employees aware of the need for the protection of customer information. In 2012, there was no case of privacy breach reported, neither regarding loss nor violation of personal information.

Privacy Safety Measures

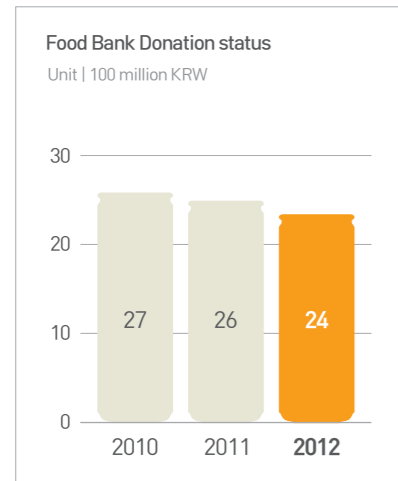
MANAGERIAL ASPECTS	TECHNICAL ASPECTS
Internal management planning and implementation	DB encryption and access control (safe storage and transport)
Privacy policy establishment / operation / disclosure	Private security programs such as vaccines installed on PC
Specify the Privacy Officer (Executive, Director, Contact)	Diagnosis and action on vulnerabilities of personal information system
Monitor personal information process compliance with the law	Storage facilities applied with intrusion detection systems
Limit and control of personal information access	
Periodic privacy training	



LOCAL COMMUNITIES

Lotte Chilsung, as a socially responsible company, contributes to the economic and cultural development of the local communities in which we operate. We periodically respond to local residents' complaints caused by the ongoing activities at our business sites in order to relieve any discomfort they perceive. Accordingly, some factories have installed sound barriers and odor control facilities. In addition, our company actively pursues a variety of activities aimed at helping the underprivileged through donating goods at all sites and offering scholarships as well as through considering ways to better manage the surrounding environment. We are planning to gradually expand such activities.

Food Bank Donation



A Food Bank is a system that transfers material resources for the purposes of social welfare. Specifically, food donations are received from food manufacturers, its distributors or individuals, and then handed out to low-income families who are experiencing difficulties due to a lack of food and household goods. Such difficulties include undernourished children, elderly living alone, and the home-stay disabled who live in the community. Lotte Chilsung is actively involved in the annual food bank donation drive.

Food Bank donation status

YEAR	2010	2011	2012
Annual donation (100 million KRW)	27	26	24

Global and Domestic Events Support



Drinks support for 2012 Yeosu World Expo

Lotte Chilsung was the official drinks sponsor for the 2012 Yeosu World Expo which was held for three months, from May to August, 2012. Approximately 100 countries and 10 international organizations participated. With more than 8.2 million people visited the international event, Lotte Chilsung contributed to creating a healthy community as an official sponsor. Our company is contributing to improving Korea's international standing through a variety of social restoration activities.



Sponsored 2013 Osong Cosmetic Beauty World Expo

About 360 companies at home and abroad joined the Osong Cosmetic Beauty World Expo in May 2013, which ran for a month, and 1 million people visited. Lotte Chilsung also actively contributed to the success of the Expo.

Briquette Delivery with the spirit of giving back



The labor-management of Lotte Chilsung donated 40,000 of briquettes to a social welfare foundation, Babsang community in Jan. 2012. Due to the poor road conditions which were unsuitable for the delivery of briquettes, they personally delivered 2,000 of those to a town called Baegsa-maeul in Nowon-gu, Seoul, by using handcarts and Korean A-frame carriers, while carrying out the spirit of giving back.

Help-your-neighbor campaign



Lotte Chilsung has delivered goods and funds as part of the program for those in need, "Love in Action, Chum-Churum."

The fund for those in need was raised from accumulating 30 KRW per every bottle of Chum-Churum sold in that region. This fund is used to help those in need, as well as utilized as scholarships for human resources development. Goods and funds were delivered in the cities of Chuncheon, Wonju, Yeongwol, Hwacheon, Gunsan, etc. In addition, other sponsoring activities are giving support.

Local cultural heritage preservation activities



Lotte Chilsung promotes a wide variety of cultural heritage preservation activities: including a drive to save the cultural property, 'one company-on-one cultural property', at a tangible cultural property, 'Gangneung Seongyojang', a Korea traditional cultural experience, as well as through sponsoring and undertaking conservation activity for the success of "Gangneung Danoje Festival" of intangible cultural property.

Giving Friends Nameplate Agreement



In Feb. 2012, Lotte Chilsung entered into an agreement with the Korea National Red Cross (KNRC) on 'Giving Friends Nameplate Campaign,' and became the 150th nameplate attached workplace in Gangwon-do. The 'Giving Friends Nameplate Campaign' operated by the Gangwon Red Cross is to attach a nameplate on a company which agrees to donate over 30,000 KRW per month, while promoting the practice of sharing. The funds will be granted to low-income families within the province and used to cover disaster relief the suffers.

MUTUAL GROWTH

Lotte Chilsung set up a committee of mutual growth promotion and established the policies on mutual growth between all size companies. Our company supports a variety of suppliers and partners and develops training programs as part of win-win management efforts. We visit partners once a month, to listen their opinion and hold officer meetings for management advice and consultation.

Mutual Growth Program Operation

Lotte Chilsung operates a variety of support programs for the purpose of mutual growth and win-win cooperation with our partners. Such programs include a 'mutual growth fund' to offer loans to small and medium-sized enterprises (SMEs) at low interest rates. Currently, Lotte Shopping, Lotte Confectionery Co., Ltd. and other subsidiary companies are participating. In particular, the payment for goods received from SMEs is 100% made by cash since Jan. 2010, which in turn helps to activate the investment of SMEs and facilitate the flow of funds. Lotte Chilsung arranges meetings with partner companies for active communication regarding management consulting, thereby laying a good foundation for mutual growth going forward. Our company is planning to carry out equipment and quality control support for partners.

Mutual Growth Program Operation Status

CATEGORY	PROGRAM NAME	DETAILS	MANAGEMENT INDICATORS	PERFORMANCE	
				2011	2012
Financial Support	Mutual Growth Fund	· Operating fund & low-interest investment loans (Default 2% reduction)	The amount of support	10billion KRW	10billion KRW
	Cash Payment	· 100% cash payment for goods received from SMEs	Cash payment rate	100%	100%
Manpower Training	Mutual Growth Academy	· CEO Seminar, CEO Lecture · Policy process (ethics, fair trade, environmental management, Lotte core values) · Job Skills (finance, marketing, production management, IT, etc.) · Support expanding up to 2nd tier partners	Training Performance	57 persons	145 persons
				1,404 hours	2,583 hours
Productivity Improvement	Supporting Technical Guidance	· Asset management, Education through on-site inspection, Guide for securing the stable quality	Number of technical guidance and support	129cases	128cases



Mutual Growth Academy, opening ceremony



Mutual Growth Academy Website

Mutual Growth Academy Operation

In Feb. 2011, Lotte Chilsung started a systematic training for manpower development of partners by having the opening ceremony of 'Mutual Growth Academy.' This academy operates various training courses, including ethics, fair trade (subcontracting law), environmental management, mutual growth CEO seminar, designed for all the members of partners of the Lotte Group. Lotte Chilsung will continue to expand the mutual growth support, including to second tier partners.

SMEs Export Markets Expansion

Lotte Chilsung visits partners for a win-win partnership and mutual growth with SMEs, listens to the grievances of employees on the job sites. We will continue to expand the win-win partnership from first tier to second tier to third tier partners.

Lotte Chilsung is planning to support partners to strengthen their global competitiveness before they enter into the global markets. This is to be done by leveraging existing overseas partners in Japan, the most active exporter of all, along with those in China, Russia, Vietnam, and Indonesia. For partners who are already in overseas markets, we will continue to work together for their stable operation in the regions.



Case 1. Technology development co-operation while on-the-spot visit to a partner, Shinsung Innotek Co., Ltd.

In April 2012, Lotte Chilsung made an on-the-spot visit to Shinsung Innotek, and was able to have the time to communicate with employees. Shinsung Innotek has been supplying packaging supplies such as caps for plastic bottles, labels, and shrink film. Lotte Chilsung and Shinsung Innotek have promised to fully cooperate in developing the technology for new caps for plastic bottles.



Case 2. Partner export support, visited to Seoul JangSu Co., Ltd.

Lotte Chilsung visited our partner, Seoul JangSu Co., Ltd. in Feb. 2012, as part of efforts to stabilize the mutual growth culture across the enterprise ecosystem. Seoul JangSu is a subsidiary company of Seoul Takju Manufacturing Association, which is the largest maker of Makkoli, unrefined rice wine. Acting in concert with Lotte Chilsung, Seoul JangSu currently exports 'Seoul Makkoli' to Japan. The Seoul Takju Manufacturing Association is in charge of manufacturing of 'Seoul Makkoli', whereas, Lotte Chilsung is responsible for R&D support, export, and regional marketing in Japan.

Partner Selection

Lotte Chilsung selects and evaluates new buyers based on our internal standards, and grants eligibility to register for them. The required standards are whether or not the potential buyer has the appropriate technologies and production equipment. Furthermore, there must be a quality assurance system and supporting management activities; furthermore, the practice of ethical management is essential. The companies that are eco-friendly, whether small or middle sized, and have hired those with a disability are the first consideration. We conduct document screening and research on the actual condition of potential partners in order to select the right partner according to a rigorous and fair evaluation. In the case of selecting a security company, we make sure whether or not the company has a training plan, as well as whether it actually conducts the training.



PRODUCT SAFETY & PRODUCT LIABILITY

In order to improve product quality and ensure the safety of our products, Lotte Chilsung is making active efforts around environment, health, and safety sectors. In July 2010, we built a state-of-the-art In-Plant facility that removes all possible sources of contamination, thus securing clean and safe PET bottles. The In-Plant system is fitted to our PET bottle manufacturing factory. This, our latest production facility, produces about 800 thousand PET bottles a day. Actively investing in equipment has meant we were recently able to switch to automation systems in all our factories. We prevent problems involved in environment, health, and safety sectors from occurring through ongoing management and inspection.

Quality Management System Operation

In order to secure the safety and the quality level, Lotte Chilsung organized a quality assurance team which is comprised of the quality assurance section, manufacturing safety section, water section, factory quality assurance section, and product safety center. Each section operates a quality management system on site, with site management and analysis.

In particular, the product safety center periodically analyzes the quality of the water system and groundwater. This same water quality analysis is also conducted on partner sites. In addition, pesticide residues in raw materials, environmental hormones, mycotoxins and other issues are thoroughly examined. Additional analysis is conducted on products with nickel, chromium or arsenic, as well as on drinking water with formaldehyde, benzopyrene or other such substances.

Each factory is equipped with an additional analysis office, which conducts hazard analysis and evaluation on all raw materials, including packaging and additives, as well as on finished products. Lotte Chilsung operates an integrated management system to carry out the following: the management and maintenance of ISO 22000/HACCP (Hazard Analysis Critical Control Point, HACCP), suppliers' self-evaluation system management, and our product safety management system. Lotte Chilsung has also built a system for the introduction of a new authentication system.

In addition, our company provides visiting training for the head of the branch, branch manager and salesperson. We hand out a training material regarding the quality of distributed products, which is in order to secure the distribution quality and strengthen communication with the sales organization. As results of these efforts, 5 products, including Delmonte Cold orange, Delmonte premium grape, and more, were credited for their safe and nutritious products, and acquired quality certification for children food preference given by Korea Food & Drug Administration in 2012. Three additional products are expected to be certified in 2013.

Lotte Chilsung achieved zero manufacturing defects by thorough quality management. We will monitor the situation regarding the impact of business activities on product safety, implement appropriate improvement and response measures where appropriate, and strive to all provide safe products to customers.

Quality Management System

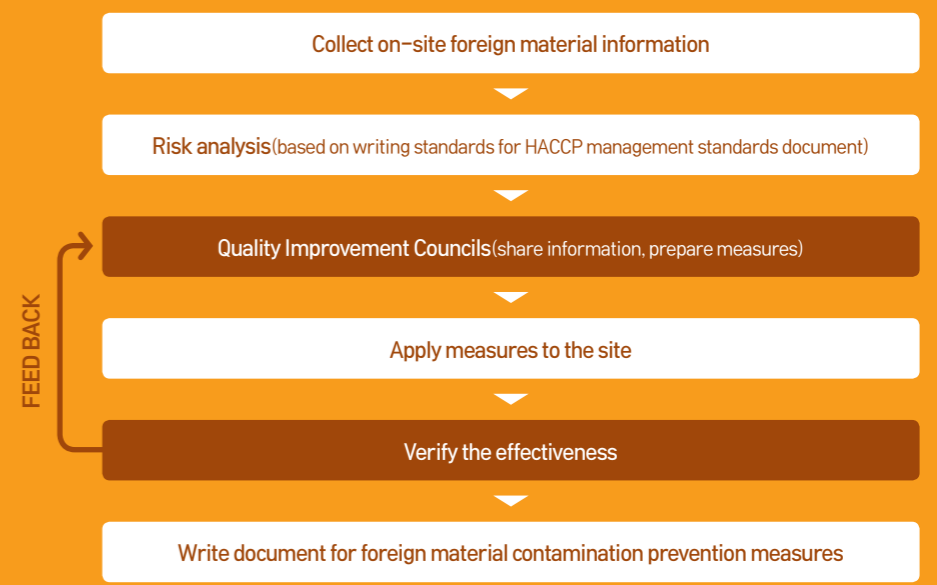


Foreign Material Control System

Lotte Chilsung operates a Foreign Material Control System which catches foreign material at the production factory in order to reduce potential hazards for the health and safety of customers. We collect foreign material information at sites, analyze the risks, share the information through the quality improvement councils, apply the discussed solution to the sites. We then verify the solution's effectiveness.

Lotte Chilsung is pre-emptively blocks the build-up of foreign materials through this system, and thereby produces products that are clean, safe and trustworthy. We continually strive to make such products available to our customers.

Foreign material control system process



Certification on Workplace

In 2002, Lotte Chilsung was selected as the industry's first domestic beverage company to have applied Hazard Analysis & Critical Control Point (HACCP). Since then, we established HACCP at all our beverage factories by 2010, and acquired the environmental management system ISO 14001 certification through leveraging our own technology.

We introduced the industry's first 'aseptic filling systems' at the Ansong factory, and applied the international standard for food safety management, Food Safety Management System (ISO 22000) in order to build an integrated hazard management system. As of the end of 2012, all beverage factories are FSSC 22000* (Food Safety System Certification) certified.

We have begun implementation of HACCP for a liquor factory in 2013, and the goal is to build it across all the liquor factories by 2015.

Lotte Chilsung is promoting HACCP as well as the Food Safety Management System (ISO 22000) certifications to systematically manage both our own factories and those of our partners. The 7 out of total 23 companies are operating the Food Safety Management System, and nine companies have established HACCP. For the drinkable water producers to become certified with Food Safety Management System (ISO 22000), we undertook visit training to five of partners in March 2013.

Lotte Chilsung is planning to strengthen quality management with the aim of achieving 50 percent of all food manufacturing businesses with HACCP certification by 2020.

* Aseptic filling systems
A type of system to fill contents right into sterilized containers in aseptic condition

* FSSC 22000
The standards created by multinational food manufacturing companies and recognized by International Food Safety Association, which were created in consideration of the specific requirements per food sector.

Right Information Disclosure

In order to provide the correct product information to customers, Lotte Chilsung operates a 'Lotte product traceability system' at the enterprise level and provides traceable information on the raw materials, nutrients, and the quality inspection information on all our products. In addition, Lotte Chilsung discloses the ingredients information for 41 of beverage products which are not subject to food labeling standards, and operates 'Front Nutrition Labeling' * on 18 products.

Lotte Chilsung voluntarily participates in the compliance program (CP) of Korea Advertising Review Board (KARB). In 2012, all the ads were televised according to the pre-inspection of KARB.

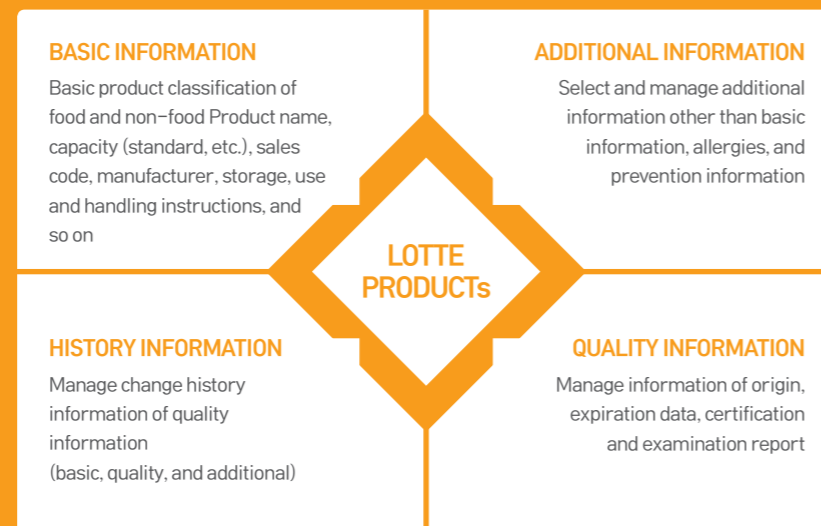
* Front Nutrition Labeling

A way to increase customer discrimination. This is through displaying the content of each nutrient and the intake percentage per recommended daily requirements on the front of product and in large print using various colors and graphics. Currently, it is an easy-to-see recommendation which is in accordance with Food Labeling Standards.

* Liquid fructose, sugar consumption and caloric reduction development	46 products
* 100% juice products without sweeteners	13 products
* New product development with increased vitamin content	8 products
* New product development with enhanced essential nutrients (proteins)	6 products
* Dietary fiber reinforced product development	2 products
* Product with naturally derived ingredients development (No synthetic additives and coloring additives)	4 products

* For more information, go to Lotte product traceability website (www.lotteallsafe.com).

Lotte products traceability system



Nutrition Front Labeling

(Case, Jeju Citrus 100)



Crisis management drills



Risk Management Committee

Lotte Chilsung responds effectively in the event of a food safety issue being raised through its enterprise-wide risk management committee. The committee is organized per function basis, including information analysis, media and on-site response, operational support. In the event of a crisis, a member first reports to the team leader, spreads the information to the relevant department(s), calls a crisis response team meeting within 6 hours of the report receipt, and responds quickly through discussion. In addition, through the evaluation of the risk management system, we conduct re-examination on the roles, the system and the emergency response organizations. This is in order to strengthen the post-crisis management manual with a secondary response as well as follow-up management. We conduct emergency response drills three to four times a year, and immediately handle matters relating to food safety incidents.

* In the last three years, there was no violation of the laws and regulations regarding the supply of products and services. Also, there was no violation of the standards and voluntary regulations regarding marketing communication, nor as regards product service information or labeling.

Hazard Information Magazine

Lotte Chilsung publishes a hazard information magazine every month, through which we share information as to food safety news, food safety policy trends, and other food safety-related information. The manufacturing safety team writes the magazine, and shares it at the enterprise level to check food safety and its associated matters. In particular, special attention is paid to hazard management. Lotte Chilsung seeks to grasp food safety-related regulatory and policy trends, including any and all amendments, and works to systematically manage hazard factors to prevent accidents from occurring.

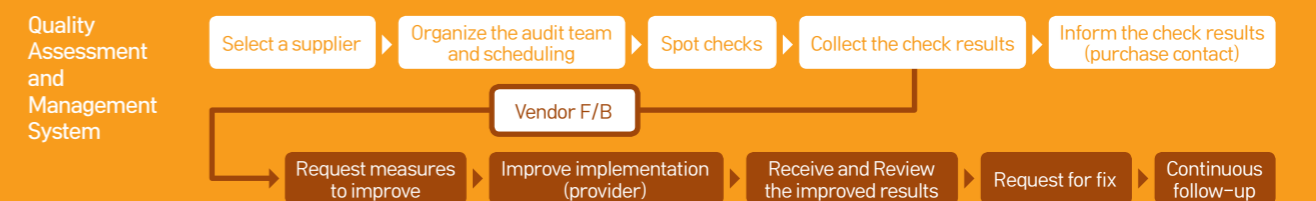
Quality Management Excellence Award



In 2012, Lotte Chilsung won the grand prize in the quality field of PepsiCo Asia Pacific Bottler Award, which targets all the factories producing Pepsi products in the Asian region. In addition, five of our beverage factories received particularly high scores in terms of quality management and food safety management, and were awarded with the Quality Excellent Award (QEA). For this award, Pepsi undertakes random sampling every month, analyzes the quality of the Pepsi product, and the food safety international organization visits the production site, checks the hygiene and the production environment, and rewards the best factory; the factories in Ansong, Yangsan, and Gwangju won the gold prize in food safety field. The factories in Opo and Daejeon won the silver prize in the food safety field.

Raw Material Supplier Quality Assessment and Management

Lotte Chilsung has standardized the purchase process. Having done so, we purchase the raw materials, other materials and consignment production products in accordance with the regulations. Our company purchases materials that meet the self quality standards and are eco-friendly, which in turn positively impacts on product quality. Lotte Chilsung conducts the quality evaluation and management on raw material companies according to established standards. We conduct the annual sanitation inspection on raw material suppliers, and evaluate the quality and the food safety management ability, with suggestions delivered for areas of improvement, as appropriate. We seek to improve the levels of quality and hygiene management by conducting additional checks twice a year on partners in conjunction with Lotte Central Laboratory.



Attend Public Policy Meetings

Lotte Chilsung has been attending a variety of the quality-related public policy meetings and actively stating the company's opinion. In 2012, our company attended a total of six meetings, while delivering the company's opinion, and submitted the product information materials of Lotte Chilsung.

History of public policy conference attendance

2012.06.19	「labeling sulphites as contactant meeting」 attended
2012.07.11	「Special Act of safe management regarding children's eating habit」 meeting attended
2012.07.13	「Caramel coloring」 meeting attended: 12 products removed caramel coloring
2012.09.07	「Food and nutrition labeling policy conference」 attended
2012.09.20	「Comparisons of energy drink business meeting」 attended: Product Information Sheet submitted
2012.12.14	「Caffeine-containing food safety management policy debates countermeasures consultation meeting」 attended



GREEN MANAGEMENT

In order to reform as an eco-friendly company and minimize the environmental impact of our business activities, Lotte Chilsung established a green business strategy in 2010, and is promoting it on an ongoing basis.

Under the vision of '2018 ASIA GREEN COMPANY', Lotte Chilsung has established the strategic objective of 'Secure environment-customers-efficiency-oriented green company.'

The strategic objective is divided into five strategic directions, and each strategic direction has its own set of tasks. Our company has also established a task roadmap per strategic direction, which is divided into three steps, Green Process, Green Culture, and Green Product. By systematically managing the established tasks, Lotte Chilsung continues to achieve the goals of reducing the cost by 1% to net sales, CO₂ by 20% to BAU*

*Emission estimates(BAU, Business As Usual): The future emission estimates at usual condition with no special action engaged.

Green Management Strategy



Eco-Friendly Logistics

Lotte Chilsung signed an agreement with the Korea Energy Management Corporation in 2010 to reduce greenhouse gas emissions from transportation. Our company identifies the status of greenhouse gas emissions through an energy and green gas reduction project run under the transportation sector, and improves the emission estimation methods and the response ability; a total of six companies in the Lotte Group, including Lotte Chilsung, are party to the agreement.

By developing a MRV(monitor, report, verification) methodology, Lotte Chilsung identifies the energy management status of the transport sector, finds a way to save energy and reduce green gas emissions. It also serves as a way to monitor transport vehicles. Lotte Chilsung will constantly exchange related information, and reduce the energy consumption of the transportation sector through working in mutual cooperation with stakeholders.

Power Use and Cost Savings

Lotte Chilsung performed a power savings campaign per factory basis according to the regulations of the Ministry of Industry (formerly the Ministry of Knowledge Economy) for the winter season. In 2012, about 1,120 million kWh was saved through major saving activities, including emergency generators shutdown, coolers and heaters shutdown, minimizing the use of electric heaters and lighting, and installing large power-saving devices.

With the soaring price of raw materials and packaging, we are unfolding cost reduction and expense reduction activities to reduce the cost burden faced by customers. We are saving the raw material cost and operating costs by replacing the enzyme of products along with improved packaging methods and improved device operation.

Lotte Chilsung is planning to replace the air compressor with one of an appropriate capacity in the near future. Our company will continue to promote reduction activities including controlling a freezer and a defreezer for peak hours. In order to reduce our environmental impact, we are planning to invest in improvements to our existing equipment.

'One company-on-one river' campaign



Lotte Chilsung conducts a prior environmental impact assessment before the selection of a site, reviews the surrounding ecosystem and environmental influence. Currently we are holding a campaign of 'one company-on-one river' to protect the environment around the site, while restoring the health of tributaries ecosystem along with embedding aquatic plants.

In 2010, the Yangsan factory had an agreement ceremony on 'one company-on-one river' campaign with Nakdong River Basin Environmental Office, civilian organizations and local governments, and has been promoting environmental cleanup activities ever since. The Yangsan factory seeks to spread 'one company-on-one river' campaign as part of a nationwide movement to restore branch rivers and creeks. The Opo factory, which is located in 'Special measures Paldang drinking water conservation areas', is undertaking a way to help control the water quality of Paldang, and unfolding 'one company-on-one river' campaign, in recognition of the need to protect flora and fauna.

The Opo factory and the Ansung factory signed memorandum of understanding (MOU) with the city of Gwangju and that of Ansung respectively, and are conducting on a road adoption project. This voluntary project is to take care of certain sections of highways or local roads, and each business is responsible for the environmental maintenance performed at least once a month in the community to create a clean and pleasant road environment.

Lotte Chilsung is planning to develop a variety of environmental activities for the region as a whole.

EH & S Day: Environment, Health & Safety Day Operation

Lotte Chilsung designated EH & S Day, in which employees at all workplaces recite the safety declaration once a month. In some factories in 2013, they renamed it as 'Echo-healing campaign' and are conducting environmental clean-up activities for businesses moving-in within the factory, as well as working on the Youngsan river clean-up project.

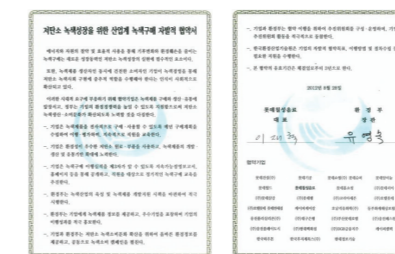


Environmental Clean-up



Reciting the safety declaration

Voluntary Agreement on Green Purchasing

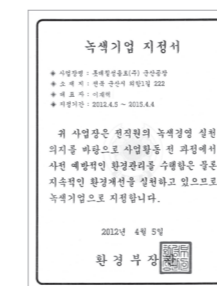


industry voluntary agreement on green purchasing

Lotte Chilsung participated in the 'industry voluntary agreement on green purchase' organized by the Ministry of Environment since 2009, and has been actively participating in the activation of green production and purchase. Our company has established guidelines for green purchase and implemented them accordingly. We are aggressively implementing green purchases by building a green purchase system which allows users to know whether or not a product is eco-friendly when considering to purchase it.

In 2012, the result of green purchase was approximately 130 billion KRW, and we are purchasing products with the eco labeling or eco-friendly. Lotte Chilsung is currently planning to enter an agreement on green purchase, and is set to continue to expand its green purchases.

Green Enterprise Certification



Liquor BG Green Enterprise Certificate

The three factories of the liquor BG, in Gangneung, Gunsan, and Gyeongsan, were awarded green enterprise certificates as recognized by the Ministry of Environment. This certificate is awarded to workplaces which contribute to environmental improvement. These factories were able to receive the green enterprise certificates through their meticulous conduct of diverse environmental and energy related activities, including an environment improvement workshop held semiannually, ISO 14001 training for all employees, environmental policy training for partners, the holding of a Green Enterprise Council, and an energy voluntary agreement. Lotte Chilsung rejects a simple regulatory-driven environmental policy, and values a self-regulating and voluntary environmental management system for the evaluation and improvement of environmental performance.

'Green Bottle' Launched



In June 2012, Lotte Chilsung Launched Pepsi the 'Green bottle' product which contains 30% of vegetable raw materials in plastic bottles containing sugar cane extract. During the manufacturing process, eco-friendly 100% recyclable packaging technology was applied, with a significantly reduced carbon footprint.

In the future, we will increase the use of vegetable raw materials, and produce more of the 'green bottle' products.

Status of Greenhouse Gas Emissions and Energy use

The total greenhouse gas emissions Lotte Chilsung in 2012 decreased by 1.5% to 126,570 tCO₂eq year-on-year. Energy consumption increased by 1.6% to 2,219 TJ year-on-year.

Lotte Chilsung was designated as a management company for the year 2012 in accordance with the guidelines of Greenhouse Gas and Energy Target Management of the Ministry of Environment. In March 2013, our company reported to the government regarding greenhouse gas emissions and energy use.

In 2012, Lotte Chilsung built a systematic greenhouse gas management system by rolling out an integrated GHG inventory management system. Internal training for responding to goal management system was conducted, enhancing the capacity of the practitioners. Lotte Chilsung is set to put in place a green management team, and quickly respond to the government's system change, not to mention greenhouse gas emissions and energy target management system.



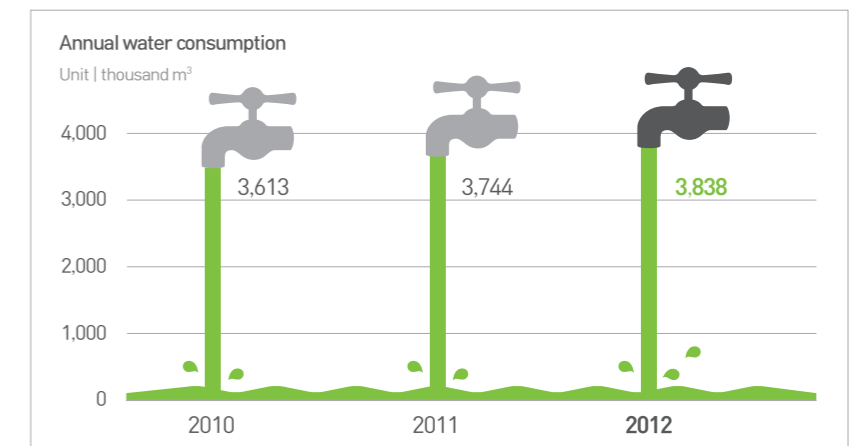
* The greenhouse gas emissions and annual energy consumption were verified by an external agency according to the written the guidelines of Greenhouse Gas and Energy Target Management by the Ministry of Environment. As for greenhouse gas emissions, there is little difference between the emissions in Scope 1, 2 and the total emissions. This is due to truncation of the decimal point at the time the plant-specific data was collected. This figure was calculated based on all sites, including 10 factories, distribution centers, branch offices.

Water Consumption and Savings

Lotte Chilsung uses (water, groundwater, and stream.)

In 2012, the amount of water consumption was 3,838 thousand m³; a figure which has increased slightly with the increase of production, along with the corporate consolidation with Lotte Liquor in 2011.

Lotte Chilsung uses large amounts of water in the production, hence each plant is committed to water recycling. The number of nozzles at workplace was reduced by half. In the case of the bottle washing line, it uses recycling water. The untreated water Sand and Carbon filter back washing are recycled. Through these vigorous efforts, in 2012 water savings totaled 43,300 m³.



Waste Management



Lotte Chilsung has entered into a 'business waste reduction voluntary agreement' with Korea Environment Corporation to fundamentally reduce business waste from 2007 to 2010 and, indeed, to promote the recycling of waste through implementing the recommended measures.

As part of this agreement, the six factories in the cities of Opo, Yangsan, Ansong, Daejeon, Gwangju, and Bupyeong have established the environmental management objectives, the methods for saving costs, and the standardization methods for waste management system. Through the producer responsibility recycling system and the empty container deposit system, the factories are able to promote the recycling of packaging materials and containers in order to minimize the generation of waste.

Lotte Chilsung treats all waste in accordance with the 'waste management policy', and the types of waste are water treatment sludge, waste plastic, dust, waste of glass and more. They are handled by recycling, reclamation or disposal. The total waste in 2012 was approximately 29,720 tons.

* Hazardous waste as defined in the Annex of '2012 Basel Convention did not occur.

Management of Hazardous Chemicals

Lotte Chilsung stringently handles all hazardous chemicals. We have established a site-specific response plan and seek to prevent any spills of hazardous chemicals before the fact. To be able to deal with any accident that could occur, there is emergency response training. As a result of these efforts, there has not been a single significant spill of a hazardous chemical in all sites in the last three years.

Compliance with Environmental Laws and Regulations

Lotte Chilsung abides by the applicable laws and regulations regarding water quality, air and waste at all worksites. There were no environmental accidents or violation of law over the past three years.

04
SPECIAL
PAGE

ECO-FRIENDLY MANAGEMENT

Carbon Footprint Labels

Lotte Chilsung is certified with the industry's first 'pre-verification system on products for carbon footprint labels' by the Ministry of Environment and Korea Environmental Industry&Technology Institute (KEITI). The 'pre-verification system on products for carbon footprint labels' is a system in which an enterprise with two requirements, 'internal auditors', and 'verification system', directly inspects the amount of the carbon emissions that occur from the production to distribution to disposal of products, and receives the certification only from the qualified office. The 'Carbonated Beverage Family', which includes 'Chilsung Cider', 'Pepsi Cola', 'Hot Six' and more is certified.

What's more, Lotte Chilsung participated in 'carbon footprint labels', a system which discloses information on the amount of all greenhouse gas emissions that occur in the process of production. From Oct. 2009 until the first half of 2013, a total of 23 products, including 'Chilsung Cider Zero', and 'Icis 8.0', were certified with 'carbon footprint labels.' In June 2012, The 'Chilsung Cider 250mL' can product met the required carbon emission standard for carbonated beverages of 43g/100mL, and received the low-carbon product certification.

Lotte Chilsung will continually provide environmental information on all our products to the public. We are committed to developing eco-friendly products, and increasing the production of such products in order to become an eco-friendly company.

※ Major products on carbon footprint labels

Total of 23: 3 of Chilsung Cider, 3 of Chilsung Cider zero, 9 of Delmonte Cold, 2 of Icis, 2 of HomePlus Joh-eun-sang-pum Malg-eun-saem-mul, 1 of ChoiceL Jeju Mandarin, 2 of ChoiceL Meog-neun-saem-mul, 1 of Pepsi Cola



Low-carbon product
Chilsung Cider 250ml can

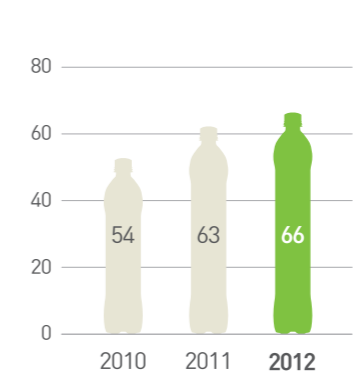


Recycling

Lotte Chilsung is actively engaged in recycling activities, and, since 2003, has participated in a system called 'Expanded Producer Responsibility' that is run by the Ministry of Environment. This system is to grant packaging waste producers a certain amount of responsibility on their recycling obligations, and to increase the rate of waste resources collection. Lotte Chilsung pays a share of the recycling expense every year; in 2012, our company paid 6.6 billion KRW. In addition, we recycle containers through the empty container deposit system. The number of reused containers of products in 2012 was about 2.1 billion bottles, reaching 91% of the products sold in the year. 'Chum-Churum' participated 'Recycle empty bottle' campaign sponsored by 'Container Recycling Association' and has highlighted the importance of recycling bottles through broadcasts.

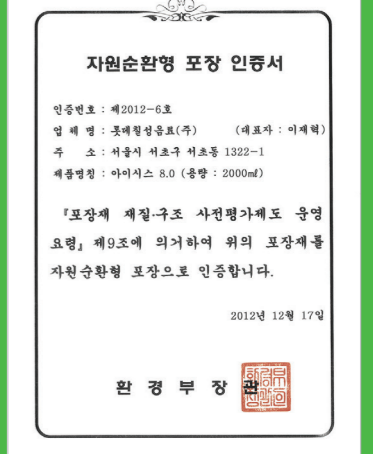
Lotte Chilsung has been using Korea's first eco-friendly water-based adhesive vinyl labels since 2011; this is a label that can be completely removed. The 'Icis 8.0' 2L product applied with the label was nominated as a Recycling Packaging Certified Product from 'Packaging Materials and Structure Pre-Evaluation System' by the Ministry of Environment and Korea PET Recycling Association. Thanks to their water-soluble adhesive label, the bottles are completely separated, and do not leave any adhesive component, which in turn greatly increase the bottle's reusability; the advantage is that when customers recycle PET plastic bottles, they can get high quality packaging material.

Status of recycling contribution paid
Unit | 100 million KRW



* The ratio of reusable bottles is high, but the recycling contribution in on the increase because of the increase in production

Status of recycling contribution paid



Recycling Packaging Certified Product: Icis 8.0 2L PET

Green Card System



Chilsung Cider products (250mL can, 500mL PET, 1.5L PET) are part of Green Card System since Dec. 2011, and contribute to establishing an eco-friendly green living style amongst customers. The green card system resembles the cash back system of a credit card, according to which when a consumer buys a Chilsung Cider product with the green card at a green store (Green POS installed store), 10 points per each bottle are funded to the Green Card. The points are called 'Eco-money', and the consumer, later on, may use it just like cash. The system was introduced by the Ministry of Environment.

Those products come with the carbon footprint mark and the 'Eco-money' mark on the labels. The users of the Green Card can donate the Eco-money as environmental protection fund. Lotte Chilsung advertises the Green Card system on TV, and encourages customers to purchase the Green products, and it will continue to participate in the Green Card system.

ECONOMY DATA

Statement of Position

Unit | KRW

CATEGORY		2010	2011	2012
Assets	Current Assets	338,453,413,946	553,776,577,160	645,854,150,617
	Non-current assets	2,898,429,727,622	2,937,375,669,794	3,027,999,942,433
	Total assets	3,236,883,141,568	3,491,152,246,954	3,673,854,093,050
Liabilities	Current liabilities	319,249,710,389	804,873,739,372	504,776,327,567
	Non-current liabilities	735,984,373,487	547,328,689,728	892,909,650,905
	Total Liabilities	1,055,234,083,876	1,352,202,429,100	1,397,685,978,472
Capital	Capital	11,675,056,660	40,908,695,784	40,611,465,270
	Accumulated earnings	1,612,205,473,572	1,662,502,641,294	1,738,487,469,537
	Ownership interest	2,181,649,057,692	2,138,949,817,854	2,276,168,114,578
Liabilities and ownership interest		3,236,883,141,568	3,491,152,246,954	3,673,854,093,050

Income Statement

Unit | KRW

CATEGORY	2010	2011	2012
Profit(Sales)	1,297,014,350,824	1,564,310,970,052	2,015,764,731,982
Cost of sales	780,485,202,511	936,343,915,449	1,197,635,328,475
Gross margin	516,529,148,313	627,967,054,603	818,129,403,507
Selling and administrative expenses	413,432,811,884	498,407,928,914	663,923,400,496
Operating profit (loss)	103,096,336,429	129,559,125,689	154,206,003,011
Non-operating profit	10,451,334,694	9,932,072,811	12,536,827,840
Non-operating expense	9,719,049,326	11,555,064,010	21,825,018,412
Income before taxes(loss)	87,114,609,857	91,650,020,256	124,199,209,668
Income tax expense	22,793,037,450	39,262,145,849	36,267,906,133
Current net income(loss)	64,321,572,407	52,387,874,407	87,931,303,535
Diluted earnings per share	-	-	-

DATABOOK

- Economy Data 57
- Society Data 58
- Environment Data 59

SOCIETY DATA

Gender

Unit | persons

CATEGORY	2010	2011	2012
Male	3,865	3,774	3,907
Female	385	402	535
Total	4,250	4,176	4,442

Contract type, number of employees, full-time / part-time status

Unit | persons

CATEGORY		2010	2011	2012
Full-time	Permanent	3,690	3,696	3,712
	Contract	560	480	600
Part-time	Temporary	-	-	130
	Total	4,250	4,176	4,442

Beverage BG Status by location

Unit | persons

CATEGORY	2010	2011	2012
Seoul	911	743	752
Incheon	90	96	103
Geonggi-do	844	959	967
Gangwon-do	70	62	44
Daejeon	249	251	246
Chungcheangnam-do	76	69	73
Chungcheangbuk-do	46	41	45
Daegu	136	121	117
Gyeongsangbuk-do	103	103	96
Busan	205	194	184
Ulsan	54	57	46
Gyeongsangnam-do	317	305	322
Gwangju	152	179	157
Jeonllabuk-do	67	79	62
Jeonllanam-do	60	49	61
Overseas	21	16	14
Total	3,401	3,324	3,289

Liquor BG Status by location

Unit | persons

CATEGORY	2010	2011	2012
Seoul	307	316	474
Geonggi-do	98	104	149
Chungcheongbuk-do	20	26	46
Gangwon-do	189	182	186
Jeolla-do	154	152	162
Gyeongsangnam-do	81	68	125
Jeju / Others	0	4	11
Total	849	852	1,153

ENVIRONMENT DATA

Wastewater per year

Unit | ton

CATEGORY	2010	2011	2012	
Beverage BG	Ansung	494	536	592
	Opo	490	498	477
	Yangsan	306	265	266
	Daejeon	187	176	254
	Gwangju	70	70	66
Liquor BG	Gangneung	385	501	558
	Gunsan	337	362	367
	Gyeongsan	15	14	18
	Bupyeong	5	6	4
Total	2,289	2,428	2,602	

Waste per year

Unit | ton

CATEGORY	2010	2011	2012	
Beverage BG	Ansung	6,333	5,690	5,556
	Opo	2,900	2,231	1,880
	Yangsan	2,335	3,041	2,390
	Daejeon	4,348	4,789	4,230
	Gwangju	881	930	651
Liquor BG	Gangneung	13,620	11,900	11,847
	Gunsan	2,822	4,202	2,783
	Gyeongsan	191	129	175
	Bupyeong	368	289	209
Total	33,797	33,200	29,720	

* The data from Jeju factory were excluded because the Jeju factory operates only when needed.

Water use by Water Source

Unit | ton

CATEGORY	YEAR	TOTAL	BEVERAGE BG					LIQUOR BG				
			ANSUNG	OPO	YANGSAN	DAEJEON	GWANGJU	GANGNEUNG	GUNSAN	GYEONGSAN	BUPYEONG	
Water use by Water Source	Water supply	2010	1,189	256	315	234	221	88	-	35	22	17
		2011	1,238	309	341	239	182	87	-	42	20	17
		2012	1,382	375	368	245	207	94	-	51	27	15
	Industrial water	2010	569	60	-	-	127	-	-	382	-	-
		2011	654	110	-	-	129	-	-	416	-	-
		2012	573	65	-	-	156	-	-	352	-	-
	Under-ground	2010	1,508	388	424	354	60	17	266	-	-	-
		2011	1,376	361	400	308	52	17	239	-	-	-
		2012	1,364	379	362	290	74	2	257	-	-	-
	Stream	2010	347	-	-	-	-	-	347	-	-	-
		2011	476	-	-	-	-	-	476	-	-	-
		2012	518	-	-	-	-	-	518	-	-	-
Total	2010	3,613	704	739	588	408	105	613	417	22	17	
	2011	3,744	780	741	547	363	104	715	458	20	17	
	2012	3,838	819	730	535	437	97	776	403	27	15	

* Industrial water: water that is supplied by the city to the industrial park, and which is passed through the flocculation, sedimentation, and filter processes, but that has not been disinfected

Energy usage per year

* In the case of energy, there is a difference between the energy usage and the total energy consumption per fuel, because the decimal point was cut-off at the time the business-specific data was collected.

Unit TJ			
CATEGORY	2010	2011	2012
Fuel	980	918	900
Electricity	944	958	1,020
Steam	355	362	351
Total	2,230	2,184	2,219

Sustainability Decision-Making Committee

CATEGORY	NAME OF COMMITTEE	CHARACTERISTICS of COMMITTEE
Economy	Vision Committee	Business strategy
	Emergency Management Committee	Management efficiency
Society	Mutual Growth Committee	Win-win cooperation
	Information Security Committee	Information Security
	Compliance Organization	Fair trade
Environment	Environmental Management Committee	Green Management
	Risk Management Committee	Quality and Safety

Emissions of Air Pollutants and Water Pollutants Status

* Each site-specific air and water pollutant emissions are strictly managed in accordance with legal requirements. In the case of Yangsan factory, the allowed emission standards is based on wastewater, the data have been excluded from the data book.

* Previously the usage of ozone-depleting substances, such as filling on the freezer repairs, was not managed. Starting from May 2013, the history of its usage are managed through 'refrigerant management records' in compliance with the air conditioner refrigerant management standards(Clean Air Conservation Regulations).

CATEGORY	YEAR	BEVERAGE BG				LIQUOR BG			
		ANSUNG	OPO	DAEJEON	GWANGJU	GANGNEUNG	GUNSAN	GYEONGSAN	BUPYEONG
BOD (mg/L)	2010	31.8	0.8	35.0	16.5	19.5	-	2.0	-
	2011	12.8	1.0	10.5	12.3	19.0	-	1.5	-
	2012	12.3	1.0	13.4	16.8	28.5	-	3.4	-
COD (mg/L)	2010	44.4	5.6	46.9	24.0	27.8	-	7.6	-
	2011	24.4	6.2	34.2	17.6	28.2	-	7.3	-
	2012	21.1	7.0	26.2	25.6	40.8	-	7.4	-
SS (mg/L)	2010	25.9	1.3	34.9	10.5	18.3	-	4	-
	2011	16.1	1.2	17.6	13.8	21.4	-	5.1	-
	2012	13.0	1.4	11.7	20.2	27.4	-	5.3	-
T-N (mg/L)	2010	10.4	5.6	8.0	2.8	1.7	-	-	-
	2011	5.8	3.8	10.2	6.7	2.4	-	-	-
	2012	2.0	5.6	6.5	5.1	4.9	-	-	-
T-P (mg/L)	2010	0.8	0.1	1.8	0.5	1.0	-	-	-
	2011	0.6	0.1	2.4	0.3	0.4	-	-	-
	2012	0.8	0.1	1.7	1.0	0.8	-	-	-
Dust (mg/m ³)	2010	8.5	13.9	7.6	-	-	5.4	-	-
	2011	7.1	13.5	6.4	-	-	4.9	-	-
	2012	7.8	12.7	5.8	-	-	4.5	-	-

APPENDIX

· 3 rd -party Verification Statement	62
· GRI Index / ISO 26000	64
· Awards / Academy and Association Memberships	69



Verification Statement of
Lotte Chilsung Beverage Corporation 2012 Sustainability Report

3rd-PARTY VERIFICATION STATEMENT

Lotte Chilsung Beverage Corporation is responsible for establishing compilation criteria including content of this Sustainability Report. KFQ responsibility is to provide a conclusion based on our assurance/verification procedures in accordance with the selected standard and criteria.

GRI G3.1 Sustainability Reporting Guidelines and Food Processing Sector Supplement G3.0 is finding globally acceptance and those are applied as a reporting criteria.

This Sustainability Report is intended for various stakeholders of Lotte Chilsung Beverage Corporation.

Independence

KFQ was not involved in the preparation of any part of the Report, other than providing an assurance/verification opinion, and there has been no conflict of interest. Further to this, KFQ has no biased opinion on stakeholders of Lotte Chilsung Beverage Corporation.

Assurance/ verification standards

Assurance/verification standards

- AA 1000 Assurance Standard 2008
- AA 1000 Accountability Principles Standard 2008
- GRI G3.1 Sustainability Reporting Guidelines
- GRI G3.0 Food Processing Sector Supplement
- ISO 26000: Social Responsibility Standard

Assurance/ verification scope

The following are included in the scope of this assurance/verification.

- Report content in relation to the head office, entire local installation of beverage and alcoholic beverage, and partial oversea installation of Lotte Chilsung Beverage Corporation
- Application Level 'A+' to GRI3.1 and GRI G3.0 FPSS
- GRI G3.1 to assess compliance with content of the Report and assurance principles of reporting quality
- Type 2- Moderate level of AA 1000 and AA1000 AS 2008 to assess compliance with inclusiveness, materiality and responsiveness principles and reliability of sustainability performance information
- Core subjects in ISO 26000

Verification/ assurance procedure

KFQ considered the procedures to achieve reasonable assurance of any apparent misstatements or material inconsistencies with the sustainability information, as well as internal process and system of data collection to have reliability of sustainability performance information provided in the Report.

Desk review

KFQ have performed GAP analysis of the key issue and sustainability performance information provided in the Report against GRI guidelines and information acquired through media survey.

With regard to the financial data included in the Report, our procedures were limited to verifying that they were correctly derived from the Lotte Chilsung Beverage Corporation's audited 2012 financial statement.

Site visit

Visited head office and two domestic plant, Anseong and Gangneung, to understand and assess the system and processes in place for managing and reporting the sustainability data.

Review of a sample of internal documents and interviews with the personnel responsible for internal reporting and data collection to discuss their approach to stakeholder inclusivity, materiality and responsiveness.

Resolution of findings

Review the final report to check the error and issues identified during above process to provide correct and reliable sustainability performance information, and conducted in independent assessment of the Report in relation to GRI Guidelines Application Level.

Consideration and limitation

Completeness and responsiveness of sustainability performance information reported in the Report are subject to inherent limitation due to their nature and the methodology used determining, calculating and estimating such data.

Verification/ assurance opinion

Based in the assurance/verification activity stated herein, KFQ confirmed that this Report meets the GRI G3.1 Guidelines at an Application Level of A+. According to the three principles of AA 1000 AS, namely, inclusiveness, materiality and responsiveness, sustainability performance information was assessed and KFQ could secured reasonable evidences to provide a moderate level assurance through followings.

1. Lotte Chilsung Beverage Corporation implements the process of stakeholder engagement, accepts a variety of stakeholders' opinion, and works to reflect them in its sustainability policy.
2. Lotte Chilsung Beverage Corporation has a process to define stakeholder group by materiality analysis and identify key issues through communication with each group to set priorities on stakeholder surveys and feedback.
3. Lotte Chilsung Beverage Corporation connected key issues identified by stakeholders to long-term sustainability strategy and vision and its performance is clearly improved sustainably, and its activities and performance was appropriately reported.
4. Lotte Chilsung Beverage Corporation has effective internal system and procedures of data creation, gathering and analysis for sustainability performance information. KFQ could confirm reliability of reported information through interview, comparison data of internal and external and not found any biased data and information.

Recommendation for improvement

We recommended that Lotte Chilsung Beverage Corporation to develop performance index to comply GRI G3.1 and GRI G3.0 FPSS to review its performance sustainably. Also, we recommended that Lotte Chilsung Beverage Corporation make a balance in the Report to include various activities and performance of positive and negative impact under consideration of materiality.

In addition, we commended that Lotte Chilsung Beverage Corporation have variety communication channel to community with each stakeholder group to identify their needs and use it as essential information to develop company's long and short-term strategies.

August 2013 / Seoul, Korea

Korean Foundation for Quality (KFQ) CEO **Dae hyun Nam**



GRI G3.1 Index

● Fully reported ○ Partially reported ○ Not reported N/A Non relevant

GRI G3.1 Index		Reporting Status	Page	Note
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organization	●	4~5	
1.2	Description of key impacts, risks, and opportunities	○	4~5	
Organizational Profile				
2.1	Name of the organization	●	12	
2.2	Primary brands, products, and/or services	●	16~17, 26~28	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	●	13, 15	
2.4	Location of the organization's headquarters	●	13	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	●	28~29	
2.6	Nature of ownership and legal form	●	13, 18	
2.7	Markets served	●	15	
2.8	Scale of the reporting organization	●	13, 23	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	12	
2.10	Awards received in the reporting period	●	6, 69~70	
Report Parameters				
3.1	Reporting period	●	2	
3.2	Date of the most recent previous report	●	2	
3.3	Reporting cycle	●	2	
3.4	Contact point for questions regarding the report or its contents	●	2	
3.5	Process for defining report content	●	8~9	
3.6	Boundary of the report	●	2	
3.7	State any specific limitations on the scope or boundary of the report	●	2	
3.8	Basis for reporting on important matters that can affect the comparability between organizations	●	12, 31	
3.9	Data measurement techniques and bases of calculations	●	31, 52	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	●	N/A	First published
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	●	N/A	First published
3.12	Table identifying the location of Standard Disclosures in the report	●	64~68	
3.13	Policy and current practice with regards to seeking external assurances for the report	●	62~63	
Governance, Commitment & Engagement				
4.1	Governance structure of the organization	●	18	
4.2	Indicate whether or not the Chair of the highest governance body is also an executive officer	●	18	
4.3	Structure of the board of directors (number of members of the highest governance body that are independent and/or non-executive members)	●	18	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	18	
4.5	Linkage of compensation of members of the highest governance body, senior managers, and executives	●	18	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	18	
4.7	Process for determining the qualifications and expertise of members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	●	18	
4.8	Management principles	●	18	
4.9	Procedures of the highest governing body for overseeing the organization's identification and management of economic, environmental, and social performance	●	18	
4.10	Processes for evaluating the highest governance body's performance, particularly with respect to economic, environmental, and social performance	●	18	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	44~45, 50	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives which the organization subscribes to or endorses	●	51, 70	
4.13	Memberships in associations and/or national/international advocacy organizations	●	70	
4.14	List of stakeholder groups engaged in by the organization	●	8	

● Fully reported ○ Partially reported ○ Not reported N/A Non relevant

4.15	Basis for the identification and selection of stakeholders with whom to engage	●	8	
4.16	Approaches to stakeholder engagement, including the frequency of engagement by type and by stakeholder group	●	8	
4.17	Key topics and concerns that have been raised through stakeholder engagement	●	8~9	

GRI G3.1 Index		Reporting Status	Page	Note
Across all Aspects of Sourcing				
DMA (Disclosures on Management Approaches)		○	42~43	
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	○	47	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard.	●	44~45	
Economy				
DMA (Disclosures on Management Approaches)		●	14, 23	
EC1	Direct economic value generated and distributed	●	23~24	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	○	49	
EC3	Coverage of the organization's defined benefits plan obligations	●	35	
EC4	Significant financial assistance received from the government	●	-	None
EC5	Range of ratios of standard entry level wages compared to local minimum wages at significant locations of operation	●	31	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	●	24, 26	
EC7	Procedures for local hiring and the proportion of senior management hired from within the local community at significant locations of operation	●	24, 26, 29	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	●	40~43	
EC9	Understanding and describing the significant indirect economic impacts, including the extent of the impacts	●	24, 29	
Environment				
DMA (Disclosures on Management Approaches)		●	49	
EN1	Materials used by weight or volume	●	59~60	
EN2	Percentage of materials used that were recycled input materials	●	53, 55	
EN3	Direct energy consumption by primary energy source	●	52	
EN4	Indirect energy consumption by primary source	●	52	
EN5	Energy saved due to conservation and efficiency improvements	●	50	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	50	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	50	
EN8	Total water withdrawal from source	●	53, 59	
EN9	Water sources significantly affected by withdrawal of water	●	50	
EN10	Percentage and total volume of water recycled and reused	●	53	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	50	
EN12	Description of significant impacts of activities, products, and services on biodiversity	●	50	
EN13	Protected or restored habitats	●	50	
EN14	Strategies, current actions, and future plans for managing the impacts on biodiversity	●	50	
EN15	Number of IUCN Red List species and national conservation list species with habitats in the areas affected by operations, by level of extinction risk	○	50	
EN16	Total direct and indirect greenhouse gas emissions by weight	●	52	
EN17	Other relevant indirect greenhouse gas emissions by weight	○	50, 54	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	○	50	
EN19	Emissions of ozone-depleting substances by weight	●	60	
EN20	NOx, SOx, and other significant air emissions by type and weight	●	60	
EN21	Total water discharge by quality and destination	●	59	
EN22	Total weight of waste by type and disposal method	○	59	
EN23	Total number of and volume of significant spills	●	53	

● Fully reported ○ Partially reported ○ Not reported N/A Non relevant

EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and the percentage of transported waste shipped internationally	●	53	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	●	50	
EN26	Initiatives to mitigate the environmental impacts of products and services, and the extent of impact mitigation	●	54	
EN27	Percentage of products sold and the packaging materials reclaimed by category	○	53, 55	
EN28	Monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	53	
EN29	Significant environmental impact for transporting products and other goods and materials used for an organization's operations, and transporting members of the workforce	●	50	
EN30	Total environmental protection expenditures and investments by type	○	50	

GRI G3.1 Index		Reporting Status	Page	Note
Social				
DMA (Disclosures on Management Approaches)		●	31~37	
LA1	Total workforce by employment type, employment contract, and region	●	31, 58	
LA2	Total number and rate of employee turnover by age group, gender, and region	○	31	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	●	34	
LA15	Return to work and retention rates after parental leave, by gender	●	31	
LA4	Percentage of employees covered by collective bargaining agreements	●	37	
LA5	Minimum notice period(s) regarding significant operational changes	●	37	
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	●	37	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise occupational health and safety programs	○	36	
LA7	Rate of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	○	36	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	○	36	
LA9	Health and safety topics covered in formal agreements with trade unions	●	36	
LA10	Average hours of training per year per employee by employee category	○	33	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	34~35	
LA12	Percentage of employees receiving regular performance and career development reviews	●	34	
LA13	Composition of governance bodies and the breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	●	18, 31	
LA14	Ratio of basic salary of men and women by employee category	●	32	
Human Rights				
DMA (Disclosures on Management Approaches)		●	32, 42~43	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	○	43	
HR2	Percentage of significant suppliers and contractors that have undergone the screening of human rights and actions taken	○	43	
HR3	The total hours of employee training on policies and procedures concerning the aspects of human rights relevant to operations, including the percentage of employees trained	●	19	
HR4	The total number of incidents of discrimination and actions taken	●	32	
HR5	Operations identified in which the right to exercise the freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	37	
HR6	Operations identified as being a significant risk according to incidents of child labor	●	32	
HR7	Operations identified as having a significant risk for the incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	●	32	
HR8	The percentage of security employees trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	○	43	
HR9	The total number of incidents of violations involving the rights of indigenous people and actions taken	○	-	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	○	32	

● Fully reported ○ Partially reported ○ Not reported N/A Non relevant

HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	○	37	
Society				
DMA (Disclosures on Management Approaches)		○	19, 40~41	
S01	The nature, scope, and effectiveness of any programs and practices that assess and manage the impact of operations on communities	●	40~41	
S09	Operations with significant potential or actual negative impacts on local communities	●	40~41	
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	40~41	
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need.	●	40~41	
S02	The percentage and total number of business units analyzed for risks related to corruption	●	19	
S03	The percentage of employees trained in an organization's anti-corruption policies and procedures	●	19	
S04	Actions taken in response to incidents of corruption	●	19	
S05	Public policy positions and participation in public policy development and lobbying	●	47	
S06	The total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	●	-	None
S07	The total amount of legal action for anti-competitive behavior, anti-trust, and monopoly practices and their outcome	●	19	
S08	The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations	●	19	
Product Responsibility				
DMA (Disclosures on Management Approaches)		●	44~47	
PR1	Life cycle stages in which the health and safety impacts of products and services are assessed for improvement, and the percentage of significant products and services categories that are subject to such procedures	●	44~47	
PR2	The total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impact of products and services during their life cycle, by type of outcome	●	44~47	
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	●	44	
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	●	27, 46	
FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	●	27, 46	
PR3	The type of product and service information required by procedures, and the percentage of significant products and services subject to such information requirements	○	44, 46	
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	●	46	
PR4	The total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcome	●	46	
PR5	Practices related to customer satisfaction, including the results of surveys measuring customer satisfaction	●	7, 38~39	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	●	46	
PR7	The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcome	●	46	
PR8	The total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	39	
PR9	The monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	39	
Animal Welfare				
DMA (Disclosures on Management Approaches)		N/A	N/A	
FP9	Percentage and total of animals raised and/or processed, by species and breed type	N/A	N/A	
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic	N/A	N/A	
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	N/A	N/A	
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	N/A	N/A	
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals	N/A	N/A	

ISO 26000

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SOCIETY AND ASSOCIATION MEMBERSHIPS / AWARDS

Beverage BG Awards

MEDIA	AWARDS	AWARD BRAND
Asian Economic News	Consumers' Grand Prize	
Financial News	Joy Brand Award	2% Thirst Peach
Korea Management Association Consulting	The 14th Korean industry's brand power (K-BPI)	Delmonte
Sports Kyunghyang	2012 Power Brand	2% Thirst Peach
Sports Seoul	Brand Award 2012	2% Thirst Peach
Daily Sports	2012 Customer Power Brand	2% Thirst Peach
Korea Advertisers Association	20th Good Advertisement chosen by Customers Award	Chilsung Cider - Sojido
Financial News	2012 Lou Top Pride	Delmonte Cold
Daily Sports	12th Annual Marketing Awards	Gatorade
Asian Economic News	The first half of 2012 hit product	Daily C
Seoul Economic Daily	The first half of year Seokyoung best hit product	Daily C
Money Today	The first half of year hit product Money Today	Cantata
A-Ju economy	Best Pride Products	Daily C
Sports Kyunghyang	Real hit product	Gatorade
Kookmin Ilbo	The first half of 2012 hit product	Delmonte Cold
Seoul Newspaper	The first half of 2012 hit product	Daily C Vitamin Water
Kyunghyang Shinmun	The first half of 2012 hit product	Cantata
Sports Seoul	Power Brand	Delmonte Cold
Daily Economic	The first half of 2012 hit product MK	Cantata
Herald Economic	The first half of 2012 Best Customer satisfaction brand	Cantata
Asia Today	The first half of 2012 Best Brands	Delmonte Cold
Daily Sports	The first half of 2012 hit product	Daily C Vitamin Water
Sports Donga	The first half of 2012 hit product	Gatorade
Sports World	The first half of 2012 hit product	Daily C
Sports Chosun	The first half of 2012 Customer Satisfaction Product	Gatorade
The Korea Daily Economic	The first half of 2012 Hankyung Consumer Award	Cantata
Korea Times	The first half of 2012 hit product	Cantata
Asia Today	2012 Korea consumer confidence Award	
Sports Seoul	Brand Award 2012	Daily C
Consumers Making Newspaper / Korea Research	Best brand chosen by consumers	Delmonte
The Korea Consumer Brand Committee	Brand Award of the year 2012	Hot Six
Seoul Economic Daily	Advertising Awards 2012 Seoul Economy	Chilsung Cider
e-Today	e-Today Advertising Awards 2012	Cantata Stick Coffee
The Munhwa Ilbo	2012 Grand Prix of cultural ad	Cantata Stick Coffee
Financial News	FN Advertising Awards 2012	Chilsung Cider
Sports Seoul	Sports Seoul Advertising Awards 2012	Chilsung Cider
Sports Donga	Sports Donga Advertising Awards 2012	Cantata Stick Coffee
Daily Sports	Sports Advertising Awards 2012 days	Chilsung Cider
Sports Chosun	Sports Korea Advertising Awards 2012	Chilsung Cider
Sports tend	Sports Kyunghyang Advertising Awards 2012	Cantata Stick Coffee
Seoul Economic Daily	Best of 2012 hit products Seokyoung	Cantata Stick Coffee
Asian Economic News	1st Asian KPB Award (Korea Private Brand Award)	
Korea Times	The second half of 2012 hit products	Daily C

Money Today	Hit Products	Cantata Stick Coffee
Daily Economic	The second half of 2012 hit products MK	Daily C
Asian Economic News	Asian economies hit products of the year	Scotch Blue
A-ju economic	best pride	Scotch Blue
Financial News	fn Top Pride 2012	Cantata
JoongAng Ilbo	Food of the Year	Cantata
Tomorrow newspaper	2012 Best selling products	Daily C Vitamin Water
Seoul Newspaper	The second half of 2012 Hit products	Delmonte Cold
The newspaper	The second half of 2012 Hit products	Delmonte Cold
Sports World	2012 Sports World Advertising Awards	Chilsung Cider
e-Today	The second half of 2012 Hit products	Baekdu-mountain Ha-neul-saem
Asia Today	The second half of 2012 Hit products	Scotch Blue

Liquor BG Awards

MEDIA	AWARDS	AWARD BRAND
JoongAng Ilbo	The 13th Wine Consumer Reports	Santa Rita 120 Merlot
10,000 to 29,900 won '1 Chilean wine	Santa Rita 120 Merlot	Chum-Churum
A-ju economy	A-ju economy, the first half of 2012 hit product	Chum-Churum
Korea Productivity Center	National Customer Satisfaction Index (NCSI)	Chum-Churum
Sports Korea	Sports South Korea Advertising Awards 2012	Chum-Churum
JoongAng Ilbo, Wine Country	The 23th Wine Consumer Reports 10 years King of Kings '2012'	Santa Rita 120 Merlot 2011 Carmen Reserva Cabernet Sauvignon 2009
Brand Stock	2012 Republic of Korea 100 brand	Chum-Churum
Economic Daily	2012 hit products	Chum-Churum
Korea Economic	The second half of 2012 Hankyung Consumer Awards	Chum-Churum
Herald	The second half of 2012 HK Best Brands	Chum-Churum
Sports Chosun	2012 # 1 Customer Satisfaction products	Chum-Churum
Money Today	2012 hit products	Chum-Churum
e-Today	The second half of 2012 hit products	Chum-Churum
Financial News	2012년 fn Top Pride products	Chum-Churum
Asia Today	2012 Best Brands	Chum-Churum
Asian economies	2012 Asian economic hit product	Chum-Churum

Association Memberships

Koran Industrial Safety Association	Korea Food Industry Association
Chamber of Commerce	Korea Rice Processing Food Association
Federation of Korean Industries	Korea Association of circular container
Korea Employers Federation	Glass Bottle Recycling Association of Korea
Korea Economic Institute	Korea cartons Recycling Association
Korea Advertisers Association	Liquor Industry Association of Korea
Metal cans Korea Resources Association	Korea PET Recycling Association
Korea Listed Companies Association	Korea Plastic Recycling Association

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