

Creating a Brighter Future,
**LOTTE CHILSUNG
BEVERAGE**

Sustainability Report 2020



ABOUT THIS REPORT

About this report

To show the corporate sustainability to internal and external stakeholders, and to listen to the expectations and demands of more stakeholders, Lotte Chilsung Beverage issued this second sustainability report since the first report was published (September 2013). This report was planned to integrate the financial performance with the non-financial performance including ESG management into one report to enable our investors and other stakeholders to clearly identify the business status and corporate value of Lotte Chilsung Beverage.

Period & Scope of Report

The period of report is from January 1, 2018 to December 31, 2018, and when identified as the important information for the stakeholders, the results of the activity in 2021 were also included. For the quantitative results, recent 3-year data were compiled to identify the trends. The data with year-on-year changes were applied with the accounting settlement date (December 31) as the base period, and this was indicated when a separate disclosure of information is required on the period of data collection. This report focuses on the economic, environmental and social results of Lotte Chilsung Beverage, and part of the disclosed data includes the results of the overseas corporations, subsidiaries and supply chains.

Report Principles

To disclose the sustainability management performance more transparently, this report has been complied with the core options of the international sustainability management report guideline of GRI (Global Reporting Initiative) standards. The UN Global Compact Principles, main agenda of ISO 26000, SASB and TCFD were also reflected in composing this report. Our financial performance was reported according to K-IFRS, and the financial audit was received from a 3rd party audit firm to ensure the reliability and fairness of the contents reported with the results being included in the verification statement.

Additional Information

The Lotte Chilsung Beverage Sustainability Report can be browsed and downloaded from our official website (<https://company.lottechilsung.co.kr/>), and for more details or inquiries, please contact us using the information below. We look forward to hearing the opinions of our various stakeholders.

Lotte Chilsung Beverage ESG Team

Official Website <https://company.lottechilsung.co.kr/>
Instagram <https://www.instagram.com/lottechilsung/>
E-mail djp833@lotte.net
Phone +82-2-3479-9137

For the readers' convenience, this report was prepared in interactive PDF to be readily transferred to relevant websites and pages.



COVER STORY

It looks like a drop of water. With the images of kids catching stars, Lotte Chilsung's identity, It represents hope for a bright future.

CONTENTS

P. 02

- 02 CEO Message
- 04 Lotte Chilsung Beverage ESG Highlights

P. 06

INTRODUCTION

- 08 Introduction of Lotte Chilsung Beverage
- 10 Management Objective & Philosophy
- 12 71-Year History of Lotte Chilsung Beverage
- 14 Introduction of Business Divisions
- 18 ESG Management of Lotte Chilsung Beverage
- 20 Stakeholder Communication
- 24 Materiality Assessment

P. 26

ESG Commitments

- 28 Efforts for Environment Management
- 40 Quality for Customer Satisfaction
- 50 Support for Employee Value
- 61 Win-Win & Social Contribution for Shared Growth

P. 66

ESG MANAGEMENT

- 68 Board of Directors & Governance
- 71 Ethical Management
- 74 Risk Management

P. 78

Appendix

- 80 Financial Performance
- 82 ESG Data Center
- 88 Third-Party Verification Statement
- 90 GRI Index
- 93 Awards & Certifications
- 95 Survey on Opinions of the Readers



CEO Message



Dear valued stakeholders of Lotte Chilsung Beverage.

Last year, the domestic and global economy hit by the COVID-19 pandemic recorded negative growth for the first time since the financial crisis, and these economic conditions and external variables also affected our sales. The beverage business was affected by a decrease in private consumption, eating out, and outdoor activities due to strengthened social distancing, but it fared well in response to the delivery and food pairing trends, growing interest in health and diet, and the spread of the home economy trend. The liquor business was also affected by prolonged social distancing, but the decline in sales was reduced by the release of new products and increased marketing activities in the home channel, and the alcoholic beverage business reduced fixed costs and eliminated waste elements with the ZBB Project. As a result, Lotte Chilsung Beverage posted KRW 2.258 trillion in revenue and KRW 97.2 billion in operating profit in 2020.

In this increasingly uncertain business environment, the new paradigm of ESG management is becoming a necessity, not an option, for companies to overcome crises. Marking its 71st anniversary since the foundation in May 1950, Lotte Chilsung Beverage has been proactively examining the company's sustainability strategy and

direction with the hot topic of sustainability in mind.

In 2020, Lotte Chilsung Beverage pursued ESG management in a way to contribute to public health and industrial development. In the first sustainability report in eight years, we would like to inform you of our outcomes and achievements as well as our future commitments.

First, we will work towards achieving carbon neutrality and building a circular plastic economy.

Lotte Chilsung Beverage launched Korea's first label-free bottled water ICIS 8.0 ECO with an eco-friendly product design. ICIS 8.0 ECO won the first prize at the Ministry of Environment's Good Packaging Contest and the Minister of Trade, Industry and Energy Award at the 2020 Good Design Awards. Lotte Chilsung Beverage is pursuing improvement in the resource circulation process in close cooperation not only with internal teams but also with suppliers to improve resource circulation performance. We will also take the lead in recycling resources and reducing waste through concrete outcomes such as improving packaging materials, recovering plastics, and expanding the use of rPET to build a circular plastics economy. To respond to the risks of climate change, we will transform our electricity supply to 100 percent renewable energy, achieve carbon neutrality with greenhouse gas reduction activities, and proactively respond to environmental issues.

“

For more than 70 years, Lotte Chilsung Beverage has been Korea's leading comprehensive beverage company that cares about public health and the environment. Now, we are taking a leap forward as a global corporate citizen that always considers society and the environment through continuous innovation.

”

Second, we will introduce a win-win program to increase the value of our customers, employees, and stakeholders.

In order to repay the love we have received and to fulfill our responsibilities as a corporate citizen, Lotte Chilsung Beverage has established its CSR vision as “cherish people and nature and create a pure and clean world.” We are creating social value by setting three strategic keywords of “sharing, environment, and co-prosperity.” To practice this corporate philosophy, we have established and implement the topics of “sustainable community”, “pure and clean environment” and “co-prosperity with stakeholders.”

Third, we will achieve reliable management through compliance and transparent disclosure of corporate information.

Lotte Chilsung Beverage established and published the Corporate Governance Charter in May. Under the supervision of the Board of Directors with expertise and independence, the Charter has the declarative meaning that management will conduct responsible management and establish and develop sound governance for shareholders and stakeholders. Furthermore, we are managing the company's compliance by adopting the Fair Trade Compliance Program and being the first in the industry to obtain ISO 37001, the international standard

for anti-bribery management systems. We are also strengthening the transparency of corporate disclosure information by gradually increasing fair and voluntary disclosure and diversifying the website content.

In August, Lotte Chilsung Beverage declared ESG management with joint support from labor and management. We will expand social values through ESG activities with employees' participation, and actively practice eco-friendly, socially responsible and ethical management to become Korea's leading ESG company that are recognized and honored by people.

Lotte Chilsung Beverage will continue to promote ESG management responsibly and grow into a company that values shared growth with society and nurtures future generations. We ask for your unwavering interest in and support for Lotte Chilsung Beverage's journey towards a brighter future.

November 2021

Yun-gie Park

CEO of Lotte Chilsung Beverage



Lotte Chilsung Beverage ESG Highlights



Launched Korea's first label-free bottled water ICIS 8.0 ECO

ICIS 8.0 ECO is an eco-friendly product that can be separated and recycled easily after being consumed, reducing the hassle of removing labels from plastic bottles as well as the use of labels, and improving the recycling convenience and efficiency of PET bottles. Lotte Chilsung Beverage is engaged in environmental management with an eco-friendly bottled water brand that delivers convenience and satisfaction to today's people who find it difficult to practice recycling amid their busy lives.



Del Monte juice ranked No. 1 in the juice category of the Korea-Brand Power Index (K-BPI) for 22 consecutive years

Del Monte juice has held the undisputed first place in the 2020 Korea-Brand Power Index (K-BPI) for 22 consecutive years since 1999. Del Monte, a juice product that embodies the "originality of juice" and the "love and happiness of family," received high scores in brand recognition and customer loyalty.



National Customer Satisfaction Index



Ranked No. 1 in the beverage category for 8 consecutive years and the soju category for 5 consecutive years at 2020 NCSI

Lotte Chilsung Beverage received high marks from the National Customer Satisfaction Index (NCSI) in recognition that its label-free bottled water ICIS and Chilsung Cider's new flavors "Green Tangerine" and "Peach" met diversifying consumer needs in the beverage sector, Chum-Churum is leading the low-alcohol content trend in the soju sector, and the company's creative marketing activities satisfied the demands of customers.



Acquired Pepsi-Cola Products Philippines and Lotte Liquor Japan

On October 10, 2020, Lotte Chilsung Beverage acquired two overseas subsidiaries—Pepsi-Cola Products Philippines Inc. (PCPPI) and Lotte Liquor Japan Co., Ltd.—for a total of KRW 91.9 billion from Lotte Holdings. Through the acquisition of overseas subsidiaries, we aim to increase management efficiency and corporate value by aligning ownership and the operating entity of the beverage and the liquor businesses, and to continuously improve earnings by creating synergies with PCPPI.



Urban greening project with Chilsung Cider

Lotte Chilsung Beverage signed a business agreement with the Seoul Metropolitan Government for the Bus Stop Shelter Greening Project. The greening project was designed to transform bus shelters into nature-friendly spaces and promote a green culture. "Bio walls", which have air-purifying plants planted on the roof, walls and fences of the shelter, were installed in 18 central bus stops on Yanghwa-ro and Sinchon-ro to turn them into clean, green spaces.



Provided beverages to public hospitals in Seoul in the fight against COVID-19

As a comprehensive beverage company, Lotte Chilsung Beverage has continued to provide beverages such as ion-charged drink Gatorade, ICIS 8.0, and Chilsung Cider to help neighbors in the local community who are struggling with COVID-19. Led by the production factories located across the country, we have carried out emergency beverage support activities for those who are most vulnerable to COVID-19, such as people with disabilities, the elderly, and children.



Efforts to promote ESG management

Lotte Chilsung Beverage is increasing activities to improve the organizational culture for ESG management and to enhance ESG capabilities that contribute to society and the environment. In addition, CEO Yun-gie Park, who took office in December 2020, announced the investment policy for ESG investment on the website. In the second half of 2021, the ESG Committee and ESG Promotion Committee were newly established under the Board of Directors in a bid to make essential ESG efforts.



Industry-leading resource circulation activities

Lotte Chilsung Beverage is actively carrying out activities for the circulation of packaging resources, contributing to raising awareness and laying the foundation for resource circulation. In particular, Lotte Chilsung Beverage achieved the effect of reducing about 6,000 tons of plastic per year by reducing the weight of PET bottles, introducing the first label-free product in Korea, and expanding label-free products through direct printing of NB cans. Based on these achievements, Lotte Chilsung Beverage received the Minister of Environment Award at the Good Packaging Contest in 2020 and the Korea Environmental Award in the resource circulation category in 2021.

INTRODUCTION

We advance towards a better future
through continuous innovation and change.

Introduction of Lotte Chilsung Beverage
Management Objective & Philosophy
71-Year History of Lotte Chilsung Beverage
Introduction of Business Divisions
ESG Management of Lotte Chilsung Beverage
Stakeholder Communication
Materiality Assessment







Introduction of Lotte Chilsung Beverage

Pure & Clean Company, Lotte Chilsung Beverage

Lotte Chilsung Beverage was founded in May 1950, and contributed to the development of the domestic general beverage market in lockstep with Korea's growth. Starting from Korea's oldest beverage brand for 70 years of <Chilsung Cider>, beverage brands such as <Pepsi-Cola>, <DelMonte> and <Cantata>, etc. and liquor brands such as <Chum-Churum>, <Kloud>, <Majuang> and <Scotch Blue>, etc. were produced to lead Korea's beverage and liquor industry. Lotte Chilsung Beverage will not only continue to produce healthy products by providing more fun and joy to people through an entrepreneurial spirit and ongoing innovation, but also create jobs, promote employment, and develop industries to contribute to the development of national economy.

Company Overview

(As of end of December 2020)

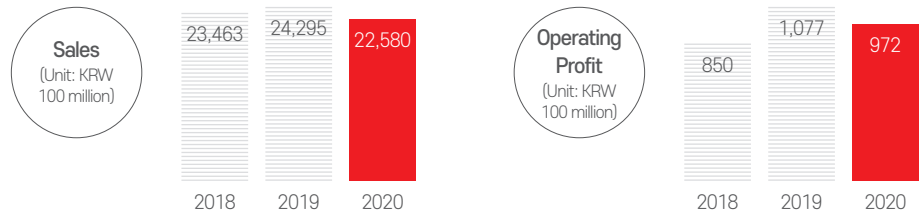
Establishment Date	May 9, 1950	Total Asset	KRW 3 trillion, 466.1 billion (Consolidated)
Business Type	Beverage Manufacturing Business	Capital	KRW 4,875 million (Consolidated)
CEO	Yun-gie Park	No. of Employees	5,834
Head Office	15 Seochodaero-ro 70-gil, Seocho-gu, Seoul	Credit Rating	AA (Commercial Paper), A1 (Corporate Bond)

Global Network of Lotte Chilsung Beverage

Lotte Chilsung Beverage advanced into overseas market from our early stage to secure the future growth engine, and the export market has expanded to Russia, China, Southeast Asia and Central & South America. In addition, local corporations were established and acquired in China, Philippines and Myanmar from 2005 in alignment with the global business growth.



3-Year Sales Volume & Operating Profit (Consolidated)



ESG Evaluation Korea Corporate Governance Service (KCGS)

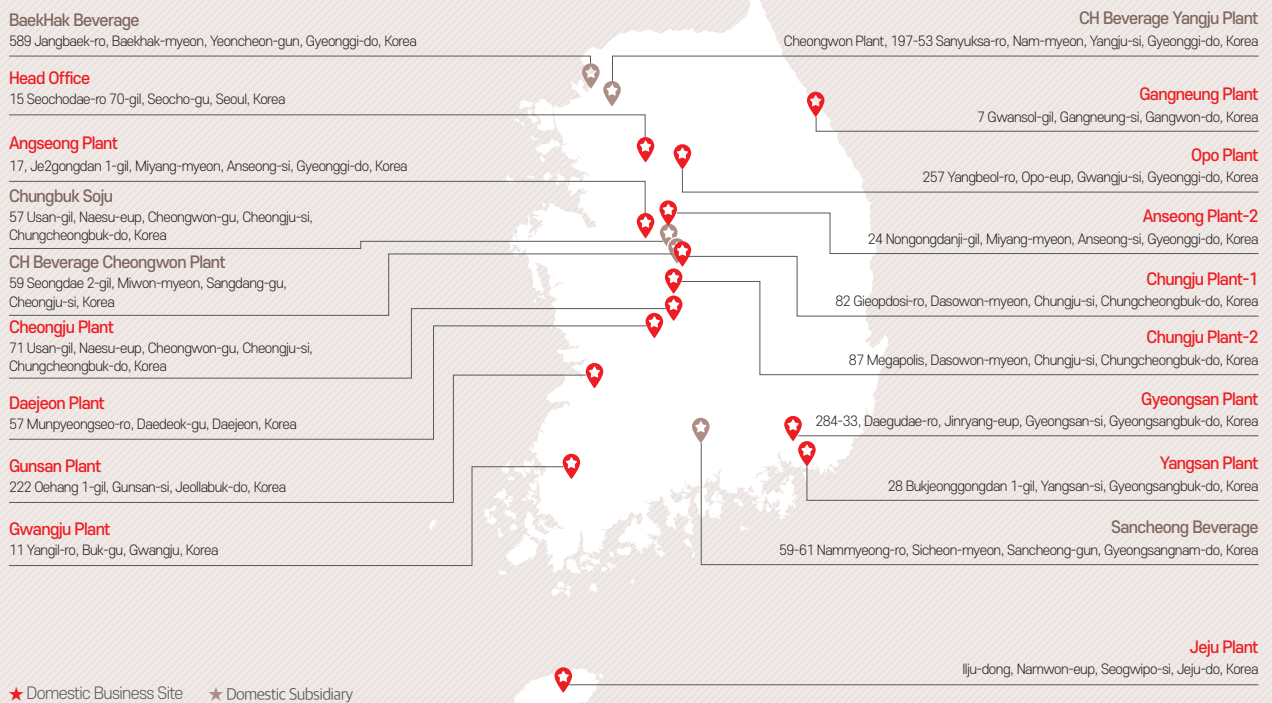


Status of Domestic Lotte Chilsung Beverage Business Sites

With over 100 types of beverages and liquors produced in 18 plants nationwide (including subsidiaries), Lotte Chilsung Beverage has the sales network nationwide.

* Sales Network Status (as of the end of 2020)

| Beverage | 89 branches, 1,079 agencies/franchises | Liquor | 50 branches, 17 direct-managed stores

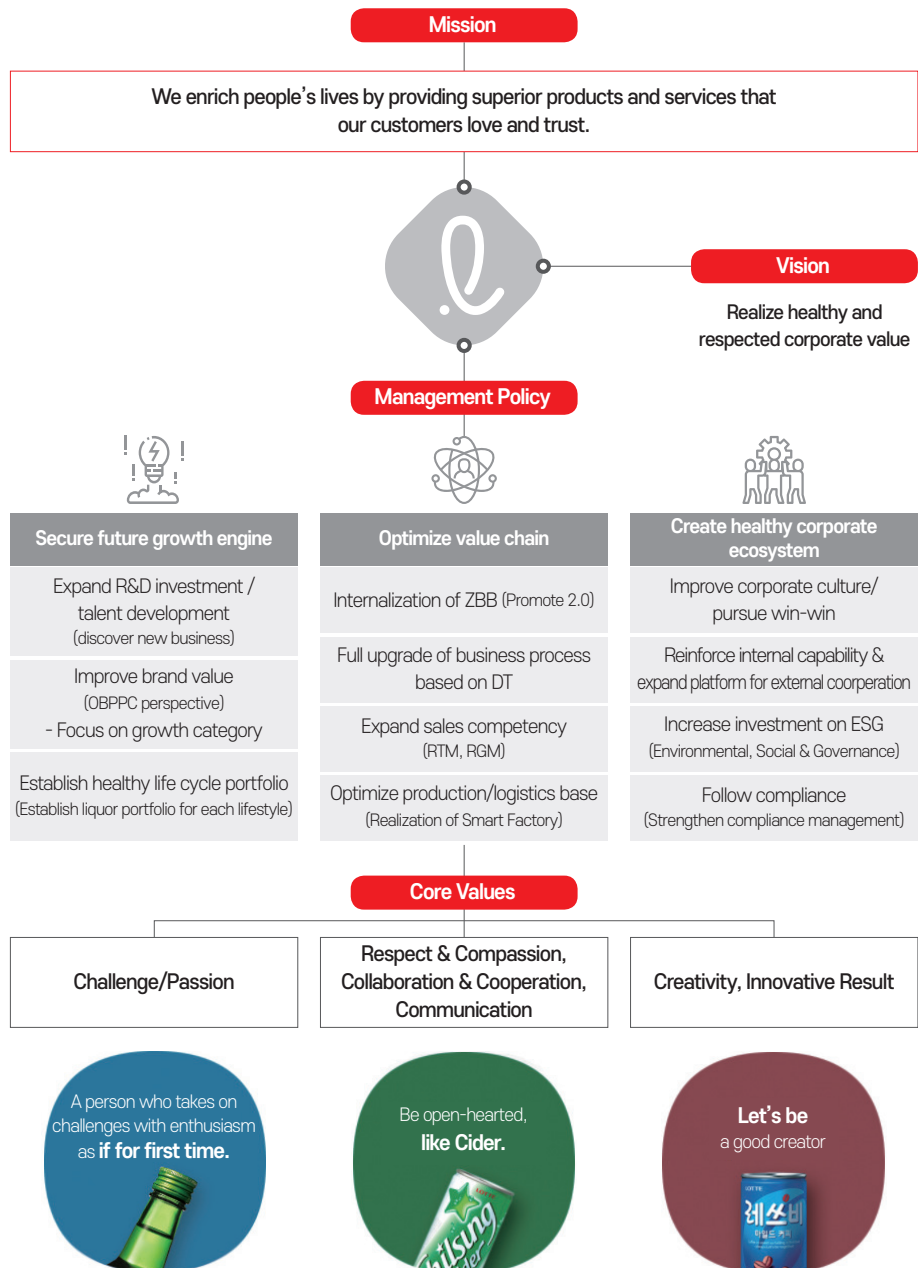




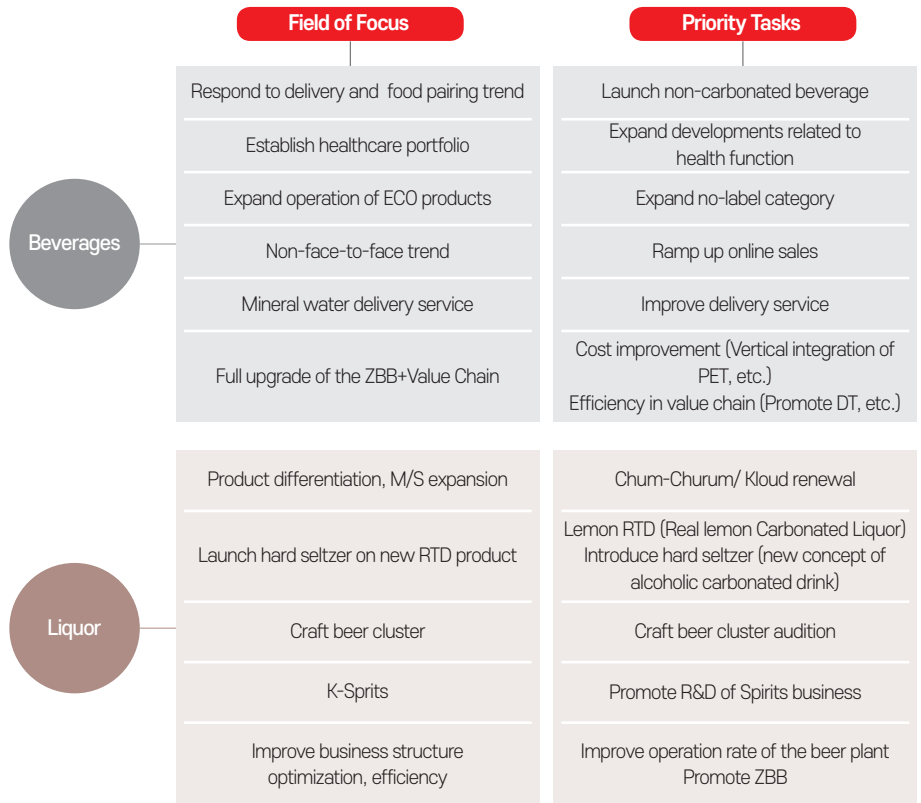
Management Objective & Philosophy

Lotte Chilsung Beverage contributes to the healthy and happy lives. We wish to maximize growth as the 'ethical and respected company' that contributes to the healthy and happy lives of our consumers through 'water' that is most precious and necessary to our lives. By considering 'Human', 'Brand' and 'System' as the 3 top priority values, Lotte Chilsung Beverage will continue our best efforts as a company that contributes to the good lives of the consumers through constant investment for creating future value, that is trusted for our top-quality products, and that advances in lockstep with society.

Mission & Vision

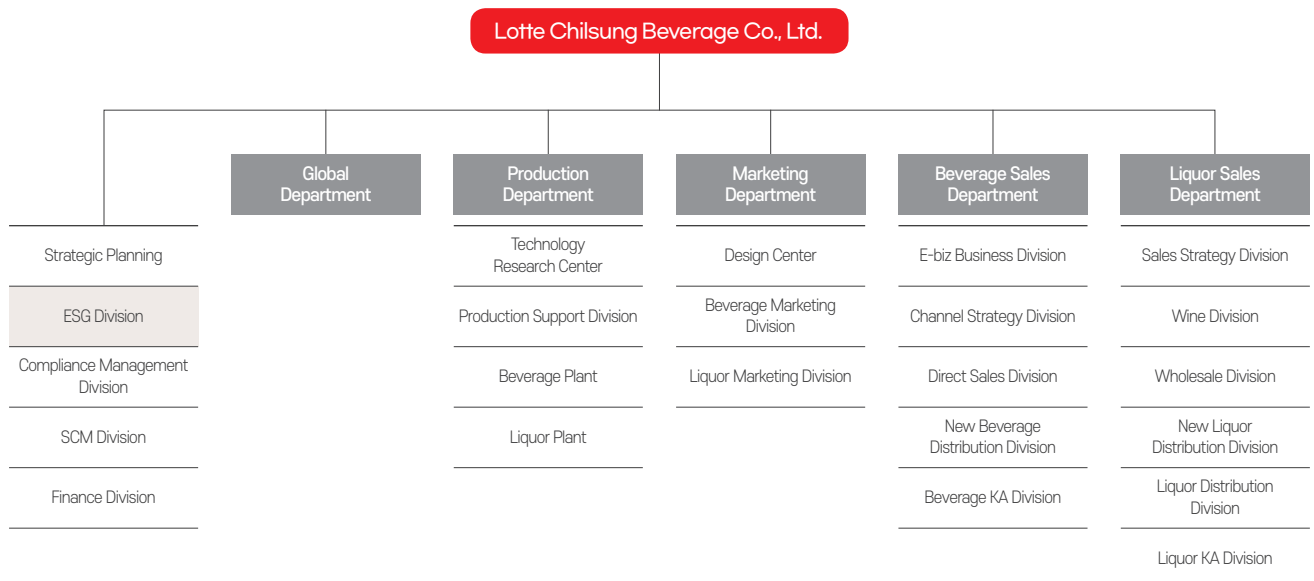


Tasks of Business Growth



Organization Chart

Lotte Chilsung Beverage has the organizational system for the One Company through the integration of beverage/liquor. Also, exclusive ESG group was newly established from July 2021, and HR Division was changed to "ESG Division" to reinforce the ESG management.





71-Year History of Lotte Chilsung Beverage

1950

1950-1976

May, 1950
Established Dongbang Beverage Company (2, Galwol-dong, Yongsan-gu, Seoul)



Jun. 1967
Established Hanmi Foods Industry



Apr. 1969
Started supplying to PX (Post Exchange) of the Eighth Army, USFK

1977-1995

Dec. 1977
Constructed mandarin juice extraction & concentration plant in Seogwipo, Jeju-do

Jun. 1978
Constructed Yangsan Plant in Gyeongnam



Oct. 1979
Commenced operation of Opo Plant in Gyeonggi-do



Dec. 1982
Entered into a technical partnership in juice production & sales with Del Monte (USA)



2000-2009

Aug. 2000
Exceeded KRW 100 billion in monthly sales, unprecedented milestone by a domestic beverage business

Nov. 2001
Signed contract for takeover of Gatorade sports drink.

Dec. 2002
Passed KRW 1 trillion in net annual sales for 2 consecutive years, a first-ever by a domestic beverage business

Oct. 2000
Constructed Anseong Plant in Gyeonggi-do



Sep. 2005
Entered Chinese market and established Lotte Huabang Beverage



2010-2014

Sep. 2010
Takeover of PCPPI (Philippines) stocks
Oct. 2011 Merger of Lotte Liquor-Integrated & Established Lotte Chilsung Beverage Co., Ltd.

Nov. 2011
Established Lotte Changbai Beverage - To promote Baekdusan Mountain spring water business

Dec. 2011
Received award for surpassing USD 100 million in exports for 48th Korea Trade Day

Jan. 2013
Applied eco-friendly water soluble adhesive to PET bottle label for the first time in Korea



2015-2020

Oct. 2015 Constructed Cheongju Plant

May. 2016
Selected as exemplary business in gender equality in employment

Jun. 2017
Constructed Chungju Plant-2

Dec. 2015 Selected as exemplary family-friendly business



Lotte Chilsung Beverage, 70 years of shining moments

Starting with Chilsung Cider in 1950, Lotte Chilsung Beverage has grown into a national beverage company by steadily developing and supplying the highest quality products to this day. In particular, in 2011, the business area focused on beverage products was expanded to the liquor sector, creating a turbulent change as a comprehensive beverage company.

Jan. 1970 Merged Dongbang Beverage Company

Apr. 1970 Constructed Seocho-dong Plant



Mar. 1973 Merged Chilsung Beverage Industry & Hanmi Foods Industry

Jun. 1973 Listed stock on Korea Stock Exchange (KSE)



Dec. 1974

Changed name to Lotte Chilsung Beverage Co., Ltd.

Jul. 1976

Signed contract for production/sale with Pepsi-Cola (USA)



Oct. 1984

Constructed Gwangju Plant



Nov. 1985

Selected as official beverage partner of the 1986 Asian Games & 1988 Olympic Games

Mar. 1987

Acquired KS Certification for the first time among Korean beverage companies

Jan. 1992

Selected as official beverage partner of Daejeon Expo

Jun. 1993 Constructed Daejeon Plant



Dec. 1995 All plants received ISO9001 certification, a first-ever by a domestic beverage business



Nov. 2005 Established Lotte Aodeli Beverage Co. Ltd.



Oct. 2007 Commenced operation of aseptic production line in Anseong Plant in Gyeonggi-do



Jan. 2009

Takeover of Doosan Liquor BG



Oct. 2009

Launched Lotte Gwangmyeong Logistics Center



Mar. 2013

Opened Lotte Chilsung Mall



Aug. 2013

Published the first-ever sustainability report in the beverage industry



Jan. 2014

Established 'LOTTE MGS', a joint venture in Myanmar



Apr. 2014

Completion ceremony of Chungju Plant



Apr. 2018

Performed planting ceremony on establishing Chum-Churum Forest



Jun. 2018

Received Presidential Award for 23rd World Environment Day



Oct. 2018

Established 'LOTTE AKHTAR BEVERAGES', a joint venture in Pakistan

May. 2019

10:1 stock split of Lotte Chilsung Beverage stock

Jan. 2020

Main beverage and liquor departments integrated

2020



Beverage Business Division for All Generations

Chilsung Cider

Chilsung Cider is Korea's No. 1 original carbonated beverage that has a history of over half a century. The main feature of Chilsung Cider is the refreshing carbonated beverage with fresh lemon lime scent. It is perfect for being outdoors daily for an uplift in mood or relief from thirst. The 3 principles of Pure, Clear and Caffeine-free are maintained to protect the pure & clean reputation of Chilsung Cider.



Total Bottles of Chilsung Cider Sold (340ml bottle)
Until 2019, total of 23 billion Chilsung Cider bottles were sold, which is the first and main product of Lotte Chilsung Beverage. With its consistent sales volume, Chilsung Cider is still one of the main products produced and sold by Lotte Chilsung Cider since it became the first product launched from foundation of the company.



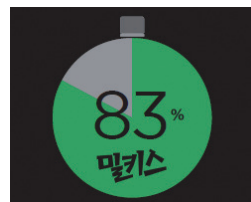
Pepsi-Cola

Over 100 years of fun and refreshment! Pepsi is one of the world's most iconic and recognized cola brands. Pepsi currently possesses various portfolios including Pepsi, Pepsi Zero Sugar and Pepsi Zero Caffeine, etc.



Milkis

Milkis is a soft drink with a sweet and creamy taste of carbonated water added to sweet and soft milk. In the initial stage of brand launch, the commercial with Hong Kong Star Chow Yun Fat saying the famous catchphrase, 'I love you, Milkis' became an enormous hit, and the product enjoys great popularity overseas (Russia, USA & Hong Kong) plus Korea.



Market Share of Milkis

When <MILKIS> was first launched, Hong Kong movie star, Chow Yun Fat was casted to increase the market share on the creamy carbonated beverage market. People were fascinated by the fancy commercial as if watching a movie, and it was the beginning of the so-called Milkis Syndrome where everyone shouted, 'I love you, Milkis!' Thanks to this success, <Milkis> was sold more than the competitive brand to become the No. 1 most sold product in 1994, and the product is still holding the leading position.

Del Monte

Del Monte offers a variety of juice products, ranging from 100% pure juices such as Farmer's Juice Bar premium extract juice, COLD, representing distributed refrigerated juices, Del Monte Premium with no sugar added to affordable low-fruit juice drink enjoyed by a wide range of people.



Del Monte Juice Ranked No. 1 in the 'Brand Power of Korean Industry', Juice Category for 22 Consecutive Years

<Del Monte Juice> was first launched in 1983 as <Del Monte Orange Juice 100%> in Korea, and as the healthy premium juice for the entire family, various products were launched along with the package according to the consumer's taste and lifestyle to grow as the main juice brand in Korea.



Cantata

Cantata, the first premium canned coffee product in Korea that you can enjoy anytime, anywhere! Cantata, originated from Bach's masterpiece "The Coffee Cantata", is the leading brand in the canned coffee market. You can savor the mellow tastes and deep flavors of Cantata, extracted with the 'double drip' method, in which Arabica beans blended in the optimal ratio are brewed in cold water at about 25°C then brewed once again in hot water at about 95°C.

HOT6ix

HOT6ix is an energy drink that represents youth and passion. The name HOT6ix indicates 'energy lasting for six hours', and as the brand leading the energy beverage market in Korea, it gives you a refreshing sensation in addition to the sweet and tart flavor from Guarana extract with the fizzy taste of carbonated water. Also, HOT6ix contains caffeine and taurine to be perfect when you need untiring energy for work, study, games or sports, etc.



DAILY-C

Daily-C is a vitamin-packed beverage containing a refreshing, trendy fruit juice taste that is light and easy to enjoy. Each bottle is enriched with 1,000 mg of Vitamin C, ten times the daily recommended intake for an invigorating, vitamin-replenishing thirst quencher.

Let's Be

Following its release in February, 1991, Let's Be has become the signature brand of Korean canned-coffee drinkers for the last 30 years. Let's Be, originating from the concept, "Let's be together", has been the essential choice among consumers, whenever and wherever they feel that craving for a sweet sip of coffee.



<ICIS 8.0>

ICIS 8.0 (pH 8.0 on average) is light alkaline natural mineral water. The water source of ICIS 8.0 is selected under strict water quality management criteria, and managed consistently to enable the consumers to drink the mineral water with trust. Korea's first no-label mineral water of ICIS ECO was launched aligned with efforts for sustainable environment.



In 2020, 'ICIS 8.0 ECO' received the Minister's Award from the 'Good Design Awards' of the Ministry of Trade, Industry and Energy.

2020 - Good Design Awards

2% Refreshing Near Water

The human body feels severe thirst when it lacks 2% of body water. The name "2% Refreshing Near Water" that originates from this idea is a fruit-infused beverage that can be consumed like water while refreshing the mind.





Liquor Business Division for Enjoying Together

Chum-Churum

Chum-Churum is a soju that has brought a whirlwind of popularity in the Korean soju market. Water that accounts for 80% of soju, is an important factor influencing the flavor and quality of the product. Chum-Churum uses natural bedrock water from the foot of Daegwallyeong to give a unique and smooth flavor of the liquor when swallowed.



National Customer Satisfaction Index of Chum-Churum
No. 1 in National Customer Satisfaction Index for 5 consecutive years in the Soju Category. Since the product was launched in 2016, <Chum-Churum> is now renowned as the soju representing Korea, and the consistent marketing concept of 'Smooth Soju = Chum-Churum' and responding actively to the trend of soju market were effective in winning the trust of consumers. Accordingly, Chum-Churum was ranked No. 1 in the National Customer Satisfaction Index for 5 consecutive years in the Soju Category.



Chungha

Since its introduction to the market in 1986, Chungha is loved for long period by the consumers as the synonymous with a refined rice wine typically serviced chilled. Made from rice refined three times after a process of gradual fermentation at a temperature of 12°- 15°C, it is devoid of residue flavors and smells. Also, unpleasant bitter flavors and alcohol odors are removed using a cold filtering device to be smoother.



Scotch Blue

Scotch Blue is a premium whiskey made with carefully selected undiluted Scotland whiskey that has been blended to suit the Korean taste buds while highlighting the smooth flavor and rich scent. ESCORT by Scotch Blue is a product made based on the whiskey manufacturing know-how of traditional Scotland, offering a new value of smoothness.

Majuang

The name Majuang indicates a wine enjoyed by people sitting facing each other, and in 1977, Majuang was introduced to the then unexplored domestic market. The liquor served as a pioneer in the market and has played a conspicuous part in changing the lifestyles of customers. It is the longest running item among existing domestic wine brands, and has been selected as a wine used in Mass at domestic Catholic churches with Vatican approval.





Kloud

Kloud is a deep and rich beer made with 100% fermented stock solution and non-watering gravitation. It is made with raw materials chosen through a strict selection process, providing an authentic European-style beer flavor. The name Kloud is a composite term of “K” from Korea and ‘cloud’, which resembles beer foam. The product name conveys the ambition to provide a beer that represents Korea.

Kloud Draft

Kloud Draft is a product that implements the taste of fresh and draft beer through the application of non-thermal methods and the increase of carbonation while maintaining the excellence of 100% all-malt beer, the same traditional German manufacturing method as the existing Kloud.



‘Kloud Draft’ received Silver Prize in IBC (International Beer Challenge)
2020.12-IBC (International Beer Challenge)



Soonhari Lemon Jin

Lemon Jin is a fresh lemon carbonated spirit with a whole lemon included inside and lemon leaching technique is applied on the whole lemon to stay true to the original lemon flavor. To satisfy consumer preferences, there are two types of products including the 4.5 ABV product for enjoying beer with a fresh lemon taste, and the strong 7.0 ABV product that can be enjoyed without feeling bloated.



Mirim

As Korea’s first and traditional Korean cooking wine, and unlike general seasoning, Mirim is made by mixing 14% rice-fermented alcohol to enhance the original texture, and eliminate any odor from the food. As the increase in the single-person household and dual-income households leads the change of the meal type into a home meal replacement, the sales of Mirim are increasing as well.

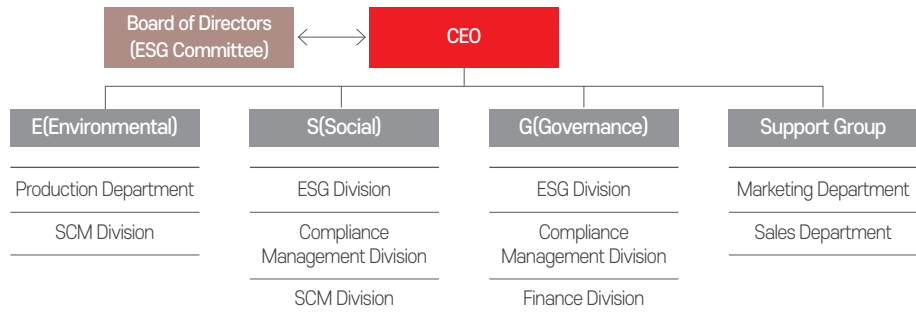




ESG Management of Lotte Chilsung Beverage

ESG Implementation System & Organization

Lotte Chilsung Beverage established the sustainable management objective of implementing ESG management in the level of advanced global companies, and the ESG management performances are realized through participation by the customers and stakeholders. To implement ESG consistently and progressively, ESG Committee composed completely with non-executive directors, and ESG Promotion Committee with the CEO as the chairperson were newly established to operate the top decision-making organization for implementing ESG.



Direction of ESG Implementation

Based on the ESG slogan of 'Beneficial to the Environment, New Society, and Healthy Company', Lotte Chilsung Beverage is actively implementing ESG management in the overall environmental, social and corporate governance. Especially, ESG elements having impact on the sustainability of the company were considered to formulate the strategies in the long-term and active view. ESG management of Lotte Chilsung Beverage stems from the UN SDGs (Sustainable Development Goals), and ESG management will converge with sustainable management to continue the efforts of fulfilling the social responsibilities.

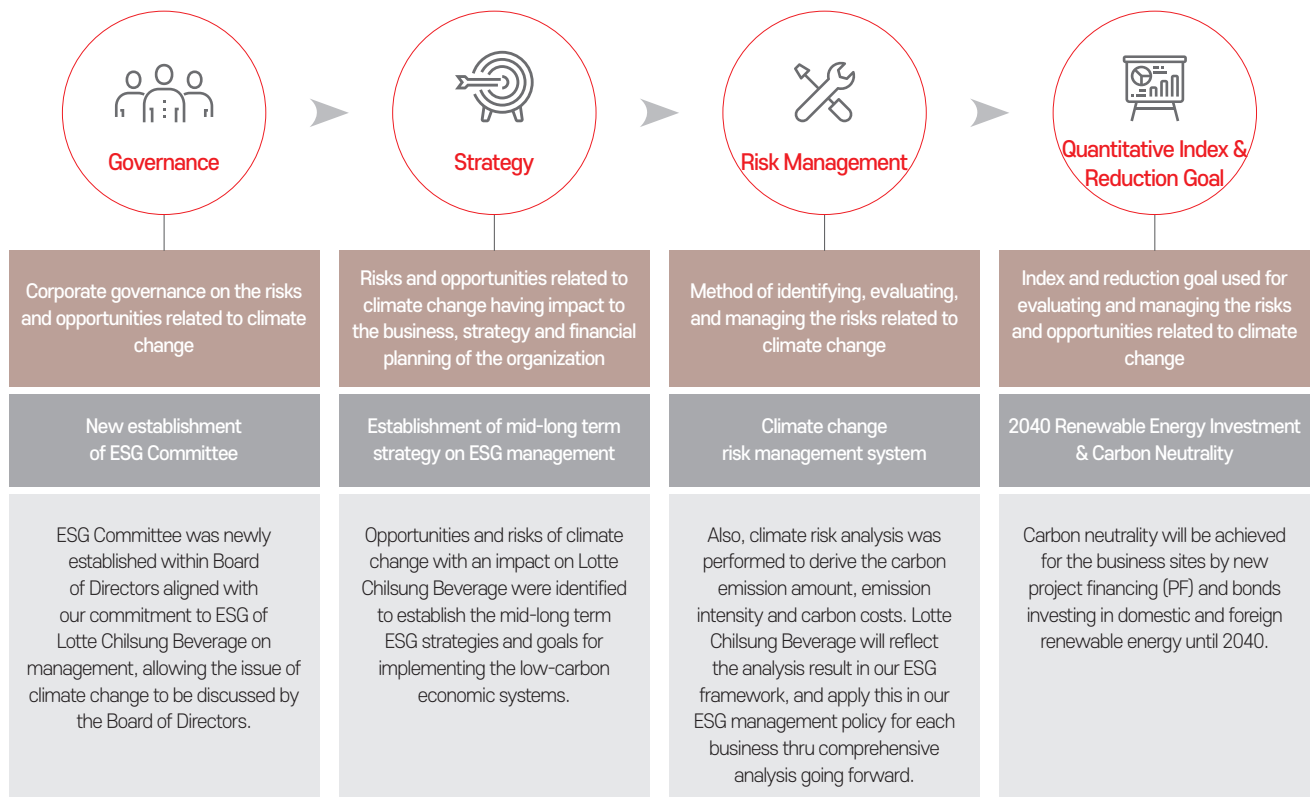


ESG Implementation Strategy for a Sustainable Future

Lotte Chilsung Beverage will establish the vision and core value of ESG management to align and coordinate the changes in our internal and external business environment and gain the acceptance and awareness of our stakeholders about mid-long term managerial objectives. Based on the 3 major strategic directions and 3-stage implementation roadmap, core values will be realized for each stakeholder such as our customers, society and employees, etc. to contribute our efforts to realign our corporate values to contributing to the fruitful lives of humanity.



Activities for Responding to the Lotte Chilsung Beverage TCFD Guidelines

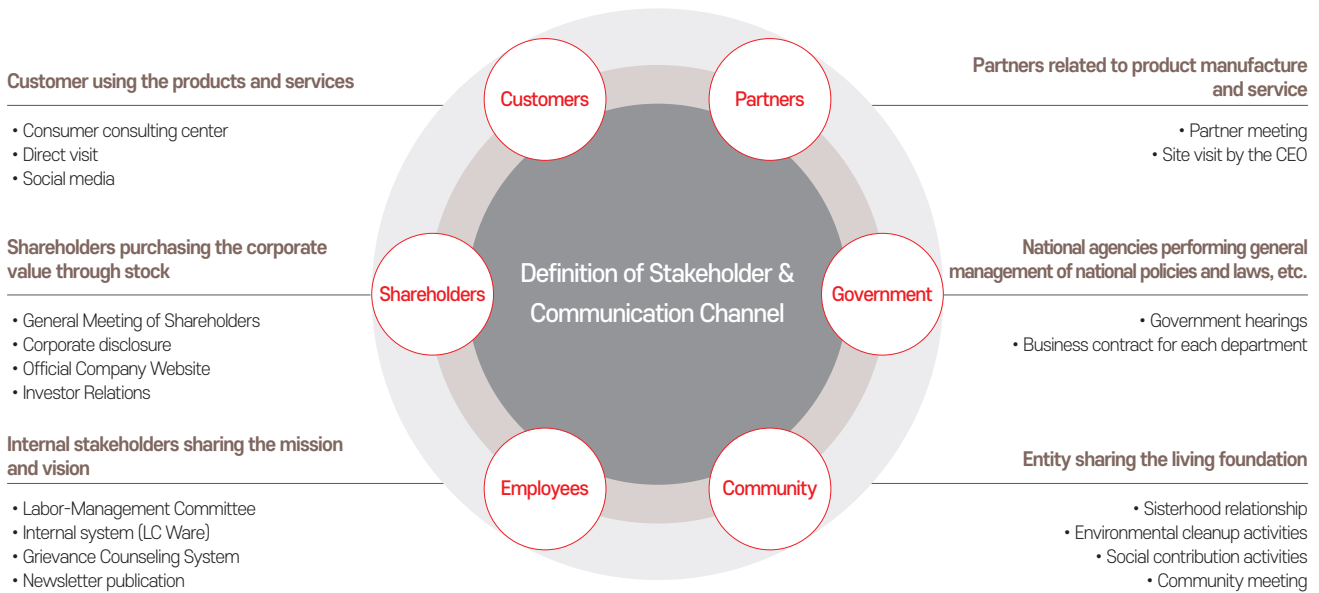




Stakeholder Communication

Communication Strategy with Lotte Chilsung Beverage Stakeholders

For effective communication with our diverse stakeholders, Lotte Chilsung Beverage is operating the rational communication channel and operation programs that align with the characteristics for each stakeholder. Especially for our customers using our products and services, and shareholders that invest a stake in our corporate value through stocks, a regular communication channel is available to disclose all information. To implement the communication strategy aligned with stakeholder characteristics and interests, stakeholders are classified by the standard of understanding and degree of cooperation on the business, and the open-sharing channel and program are operated by considering the characteristics of our stakeholders to improve the understanding and consensus on the vision and strategy by our internal and external stakeholders.



Performance through Effective communication for each stakeholder characteristic

The conflicts that may occur from performing the business are relieved in advance through stakeholder participation, and Lotte Chilsung Beverage is providing effective communication by considering the characteristics for each stakeholder to minimize any discomfort by the stakeholders. Through this, Lotte Chilsung Beverage is continuing the efforts to enable the stakeholder to participate directly and indirectly in the overall process of management.

Stakeholder Interview

Sustainability report plays the role as a communication channel that provides the information preferred by our internal and external stakeholders as a top priority. Lotte Chilsung Beverage recognizes our customers, partners, government, labor union, NGO, community, shareholders and investors, and internal employees as our main stakeholders that have a direct or indirect impact on our business. Accordingly, Lotte Chilsung Beverage is performing various methods of communication options periodically aligned with the characteristics of stakeholder groups, and their opinions and requests are reflected to establish the long-term business plans. The following interviews are summary of the communication with the representatives of the internal and external stakeholder groups, and the efforts of Lotte Chilsung Beverage to respond to each stakeholder group were included transparently in this sustainability report.

INTERVIEW: NGO



Jeong Min-hee /
Head of Humanitarian Business Headquarters,
Korean Red Cross

Realizing social value through ongoing and heartfelt social contribution activities led by the business

What activities are implemented through Lotte Chilsung Beverage?

With the Korean Red Cross and Lotte Chilsung Beverage’s social contribution partnership since 2006, we are working together on practicing social contribution for our neglected, vulnerable neighbors in the overall humanitarian businesses in collaboration with the Korean Red Cross such as sharing ‘Love Lunchbox’, relief for disaster victims, ‘Love for Water’ campaign and blood bank drives, etc. Especially, the Korean Red Cross and Lotte Chilsung Beverage are jointly cooperating in bringing relief for various disasters and states of emergency such as social contribution activities using the products of Lotte Chilsung Beverage for neglected, vulnerable neighbors and medical teams at screening centers during the COVID-19 pandemic.

What are the main strengths of Lotte Chilsung Beverage in ensuring customer satisfaction?

I think that the social contribution activities by a company are not only for the marketing, but for the responsibility of the company. Besides solely maximizing the benefits of the shareholders, contributions must be made for sustainability of the society we live in by pursuing a win-win partnership, and our long-term value must be leveraged through optimal use of resources and continuous partnerships with NGO/NPO. Lotte Chilsung Beverage is fulfilling all our social responsibilities and commitments to realize meaningful social value.

INTERVIEW: Partners

Please describe the overall image of Lotte Chilsung Beverage.

Lotte Chilsung Beverage is a general beverage company that specialized in beverages since the company was founded in 1950. The company has a corporate culture for securing the growth engine and developing the talents by increasing the value, and I think that the company is in the important period of reinforcing the ESG capability to improve the corporate culture for creating a happy workplace, and to contribute to the environment. Lotte Chilsung Beverage is a company emphasizing on customer-friendliness, and efforts are continued to create a bright future.

Please introduce an exclusive technology of Lotte Chilsung Beverage that my appeal to the consumers.

As a method of coping with the health warnings such as obesity, diabetes, heart disease and possibility of cancer, etc. that are becoming social issue, Lotte Chilsung Beverage is actively using ‘allulose’, which is a sweet ingredient contained in fig and grape, etc. To provide good products and services, these ingredients are used on beverages of Lotte Chilsung Beverage such as Chilsung Cider Zero, etc. to improve the healthiness of the people.

Communication Channel for the National Beverage that Promises Healthiness



Lee Oui-do /
Team Leader of Samyang Corporation
providing the raw materials

INTERVIEW: Partners



**Jeon Hyun-sung /
Team Leader of Samhwa Crown &
Closure on Packing Materials**

**Reinforcing exemplary
model for value-added
win-win in the rapidly
changing market**

What is your relationship with Lotte Chilsung Beverage as to the ESG effort?

Lotte Chilsung Beverage offered us the opportunity to sign a MOU with the Korea Energy Agency for energy-saving and support on partners, and we have been able to reduce a great amount of real costs in energy usage. In addition, I think that Lotte Chilsung Beverage is supporting the shared growth with our partners such as providing the system on energy management, etc.

What do you wish from Lotte Chilsung Beverage?

As a member of a company fulfilling our social responsibility, I wish that Lotte Chilsung Beverage can promote the growth and development of long-term partners. Especially amid the COVID-19 pandemic, I hope that Lotte Chilsung Beverage can benefit the vulnerable social segment by creating more jobs and making contribution to society. By establishing our social responsibility model through long-lasting relationships with small-medium sized partners, we look forward to growing into an even better Lotte Chilsung Beverage.

What are the cooperative activities you are performing with Lotte Chilsung Beverage on issues of concern?

We are Camtec, a manufacturer and supplier of inspection devices. The main issue between us is the Smart Factory for improving the productivity, quality and customer satisfaction by applying the information communication technology (ICT) combined with the digital automation solution in the overall production process of Lotte Chilsung Beverage such as design, development, manufacture, distribution and logistics, etc. During our partnership with Lotte Chilsung Beverage for over 30 years, I was impressed by the company's shift in organizational structure from an inflexible to a younger, more liberal one.

What are the strengths of Lotte Chilsung Beverage?

Lotte Chilsung Beverage has an excellent ordering system for the installation of equipment and construction. It's hard to find other companies that provide more encouragement to the partners than Lotte Chilsung Beverage. Also, the plants are connected systematically with the purchase from the technology department, and this is a big advantage compared to other companies.

**Corporate image
that is clearly
highlighted in the
4th Industrial
Revolution**



**Kim Jung-joong /
CEO of Camtec on Investment MRO**



Song Gyeong-seon /
Senior Manager of Food Well
on Product Sourcing

Open corporate
culture and
flexible win-win
partnerships

What are the changes at Lotte Chilsung Beverage?

We are continuing the partnership from 2010. Lotte Chilsung Beverage is proactively implementing policies that embody both the openness as a young and family-friendly company and the corporate image of a leading company. For example, I remember that in the early stage of partnership, male employees were uncomfortable with using paternity leave, but now there is a clear system established to enable the male employees to freely use the paternity leave.

Please introduce changes that you feel from ESG management.

Efforts are continued to provide the same quality to the consumers, and fair contract and procurement are also being performed. Also, big advantages are manifested by providing the plan in advance for the stable production planning of the partners and enabling win-win cooperation. Even when the processing cost, wage, electricity or gas bills, etc. are increased, increase in price is performed very flexibly through prior internal reviews, so I think that Lotte Chilsung Beverage is a company that is effectively leading the ESG trend with partners.

INTERVIEW:
Executives and Employees

Please describe what you liked about the working environment of Lotte Chilsung Beverage.

I think that the change in working environment due to a liberal dress code and eliminating the approval process, etc. helped to enhance the autonomy and efficiency in the work being done by employees. With the extra time due to more efficient workflow, employees can use that time for self-improvement or devoting ourselves to creative ideas. This also leads to higher business performance for the company, so it has been a smart change that enables a win-win for both the organization and employees.

Please introduce a system that you recently received support.

I can actually feel the family-friendly welfare benefits through the paternity leave system. Also, I was able to better focus on my tasks at the company as I can guarantee my family's wellbeing with the benefit system for enabling to maintain the balance between work and life such as accompanying a child to and from school through the flexible working system.

Smart Work-Life
Balance



Chae Byung-hoon /
HR Support Team

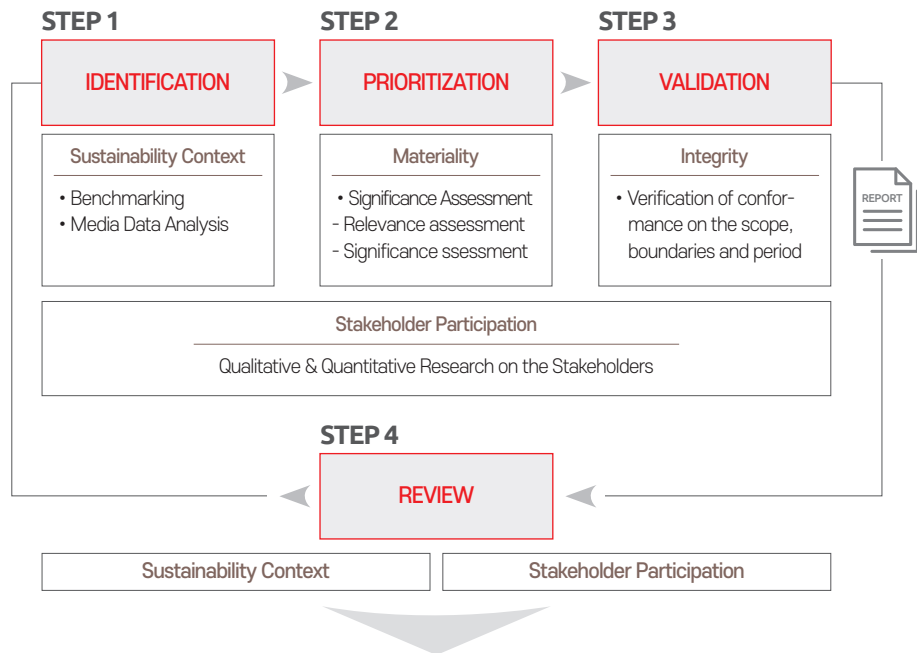


Materiality Assessment

Lotte Chilsung Beverage has been aligned with the issues of environmental, social and governance aspects on the overall operation of the company in pursuing sustainable growth. To select more important issues for Lotte Chilsung Beverage and our stakeholders to perform intensive management and reporting, core issues of sustainability were selected based on the materiality assessment method recommended by GRI and ISO 26000.

Materiality Assessment Process

Lotte Chilsung Beverage performs our internal and external environmental analysis, and materiality assessment based on the sustainability context, significance, integrity principle and stakeholder participation recommended by the GRI standards to ascertain the significant issues of sustainable management.



- STEP 1 Identification**
 - Ascertain aspects that have impact on the business activities of the organization and decision-making of the stakeholders based on the sustainability context and stakeholder participation
 - Identify impacts occurred internally and externally within the organizational boundary, and ascertain relevant issues
- STEP 2 Prioritization**
 - Evaluate the priority on how much the aspects and relevant issues are important based on the significance principle and stakeholder participation
 - Evaluate significance based on the environmental, social, governance and economic aspects
- STEP 3 Validation**
 - Apply significant aspects to the report according to the integrity principle and stakeholder participation
 - Significant aspects are organized into standard disclosure notice (MA & Performance Indicator)
- STEP 4 Review**
 - Review published report according to the sustainability context and stakeholder participation
 - Apply the review result when publishing the report going forward

Benchmarking

Based on the sustainability report of the companies performing outstanding sustainable management among the domestic and foreign companies, sustainable performance was analyzed through the GRI reporting principles. Through this, issues that Lotte Chilsung Beverage must respond and promote were further identified.

Media Analysis

Articles from January, 2020 to December, 2020 were analyzed to objectively identify the external awareness on the main issues of sustainable management by Lotte Chilsung Beverage, and relevant issues were ascertained.

Expert Interview

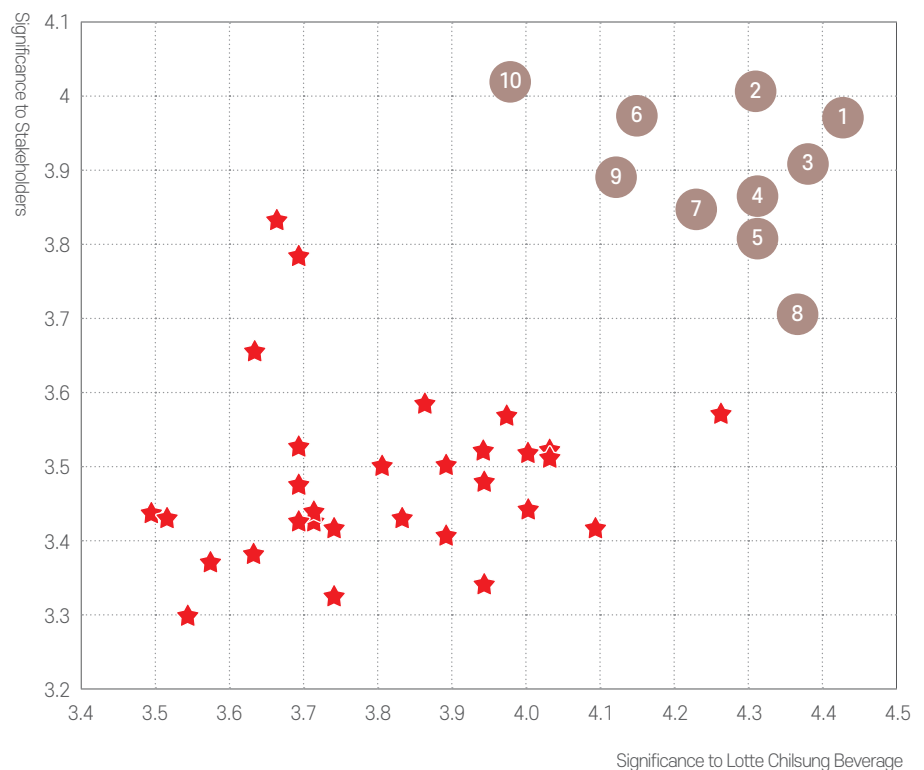
Expert interviews were conducted on the stakeholder groups of Lotte Chilsung Beverage that were defined according to the flow of value creation. Those subject to interview were composed of internal and external experts that can represent the relevant group, and the requests and shared value of our stakeholders were identified in more detail to reflect them in defining the core issues.

Stakeholder Survey

The legal, financial and operational responsibilities and impact of management by Lotte Chilsung Beverage were considered to conduct a survey on our main stakeholder groups such as employees, customers, partners and community, etc., and issues in sustainable management by Lotte Chilsung Beverage seen from each stakeholder were ascertained to be reflected in the significance assessment.

Materiality Assessment

No.	Significant Issue
1	Eco-friendly Management
2	Ethical Management
3	Customer Value Creation
4	Risk Management
5	Corporate Governance
6	Stakeholder Communication
7	Talent Management
8	Water Resource Protection
9	Information Protection
10	Community Participation & Development



ESG Commitments

We are always alongside our customers anytime and anywhere.

Efforts for Environment Management

Quality for Customer Satisfaction

Support for Employee Value

Win-Win & Social Contribution for Shared Growth





Efforts on Environment Management



Response to Climate Change



Recycling of Packaging Resources

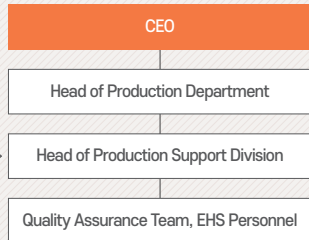


Environmental Protection

Promotion Organization



- Strategic Planning Division
- Marketing Department
- Global Department
- Compliance Management Division
- ESG Division
- SCM Division
- Finance Division
- Sales Department



Gangneung	Gunsan	Gyeongsan	Opo	Yangsan	Anseong
Cheongju	Chungju	Chungju 2	Daejeon	Gwangju	Anseong 2

Significance of the Issue



The responsibilities of the companies are greater than ever due to concerns on our future on the Earth, and the urgency of responding to climate change. Accordingly, Lotte Chilsung Beverage is reorganizing our structure and implementing the creation of our roadmap on environment policy for the goal of tackling various environmental issues, like climate change response, managing water resources, reducing environmental pollutants, and wider use of sustainable packing.

Approach Method



- Multi-lateral cooperation with the aim of carbon neutrality
- Recycling-centered eco-friendly policy
- Climate change response strategy and practice

Major Performance



- Convert to colorless PET
- ECO dotted line and ECO tab applied
- Launched no-label product for the first time in Korea
- PET quality and technology verification for the first time in the industry
- Management of GHG emission (computer system)



Mandatory Environment Management System

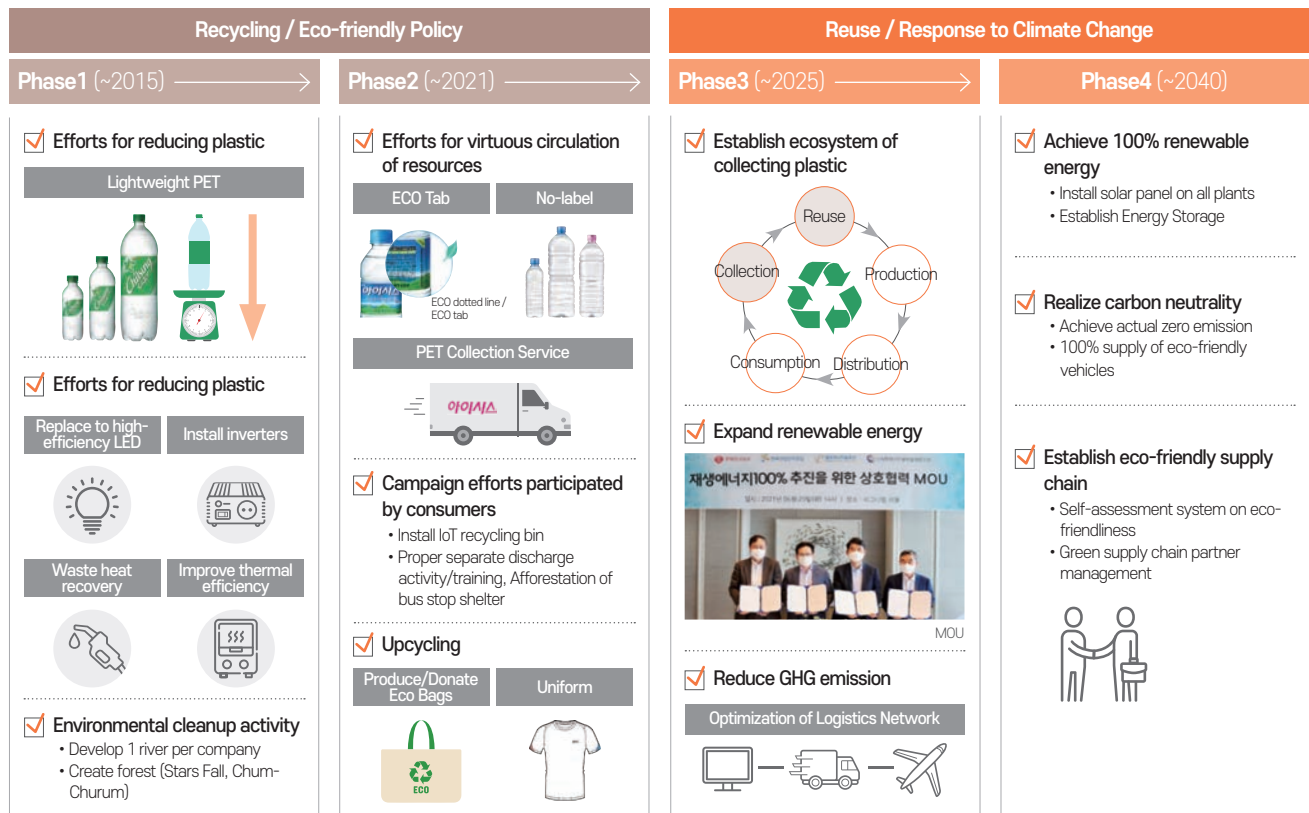
Mandatory Environment Management Strategy & Roadmap

Lotte Chilsung Beverage addresses environmental issues while changing from the eco-friendly period to Green Survival period, and plan to promote the new environmental strategy and roadmap of Lotte Chilsung Beverage.

Environment Management Strategy of Lotte Chilsung Beverage

	Response to Climate Change	Recycling of Packaging Resources	Environmental Protection
Strategic Task	Renewable energy 100% by 2040. Achieved carbon neutrality in 2040. Responding to climate change risks	Keep increasing the ease of recycling and expand the use of recycled materials	Protect water resources and adopt efforts on reducing environmental pollution at the worksites
Task Details	<ul style="list-style-type: none"> Convert to renewable energy <ul style="list-style-type: none"> Convert 100% from electric energy to renewable energy until 2040 Carbon neutrality by 2040 through various efforts for reducing greenhouse gas Waste heat recovery High-efficiency energy system and device Convert business vehicles to eco-friendly vehicle 	<ul style="list-style-type: none"> Environmental aspects for the product design <ul style="list-style-type: none"> Lightweight, no-label Expand collection <ul style="list-style-type: none"> Cooperation with sales channel & local government, etc. PET Bottle to bottle <ul style="list-style-type: none"> Introduce and expand rPET 	<ul style="list-style-type: none"> Reduce water use and reuse Advanced technology on waste treatment Reduce environmental pollutants <ul style="list-style-type: none"> Digital-linked Smart management Protective activity on water sources <ul style="list-style-type: none"> Develop 1 river per company and create forests Purification activity on river and ocean, etc.

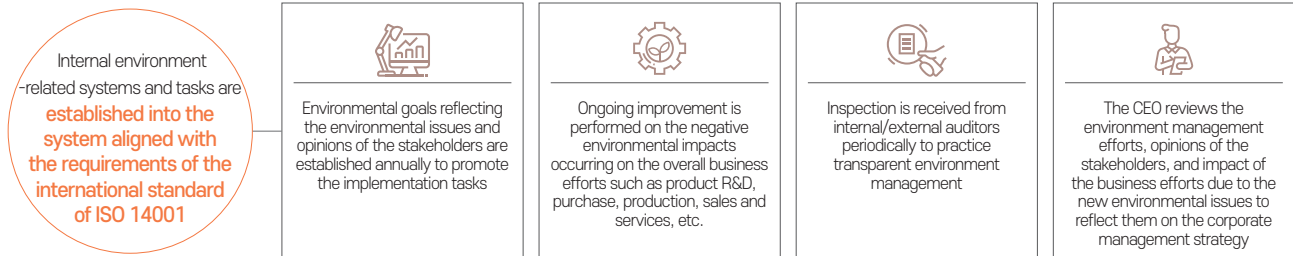
Roadmap of Environment Management Policy



Mandatory Environment Management Policy

Based on the road map on environment policy for responding to the climate change crisis, we are striving to minimize the environmental footprint from business operations while also maximizing the environmental conservation with our products. Lotte Chilsung Beverage will continue the efforts to contribute to accomplishing the national goal of carbon neutrality by reducing GHG emissions and promoting recycling.

Environment Management System



Environment Management Training

Lotte Chilsung Beverage shall promote environment management participated by all executives and employees through continuous training on the environment. Environment training plan is established annually to reinforce the expertise of the environment personnel. Also, Lotte Chilsung Beverage held seminars every quarter on main environmental issues to improve the understanding of the work. In 2020, a seminar was held on the 3rd planning period as to the GHG emission trading system and total air pollution load management system. In addition, environment management review and environmental issues such as repacking prohibition system, etc. were announced across the company and posted on the bulletin board to enable all employees to practice environment management more easily.

Training Materials on the Total Air Pollution Load Management System



Environment Management System Certification



Environment Management System Certification

2020 Achievement Rate



* Business Sites: Opo Plant, Yangsan Plant, Anseong Plant, Daejeon Plant, Gwangju Plant, Anseong Plant-2
 Liquor Business Sites: Gangneung Plant, Gunsan Plant, Gyeongsan Plant, Cheongju Plant, Chungju Plant-1, Chungju Plant-2

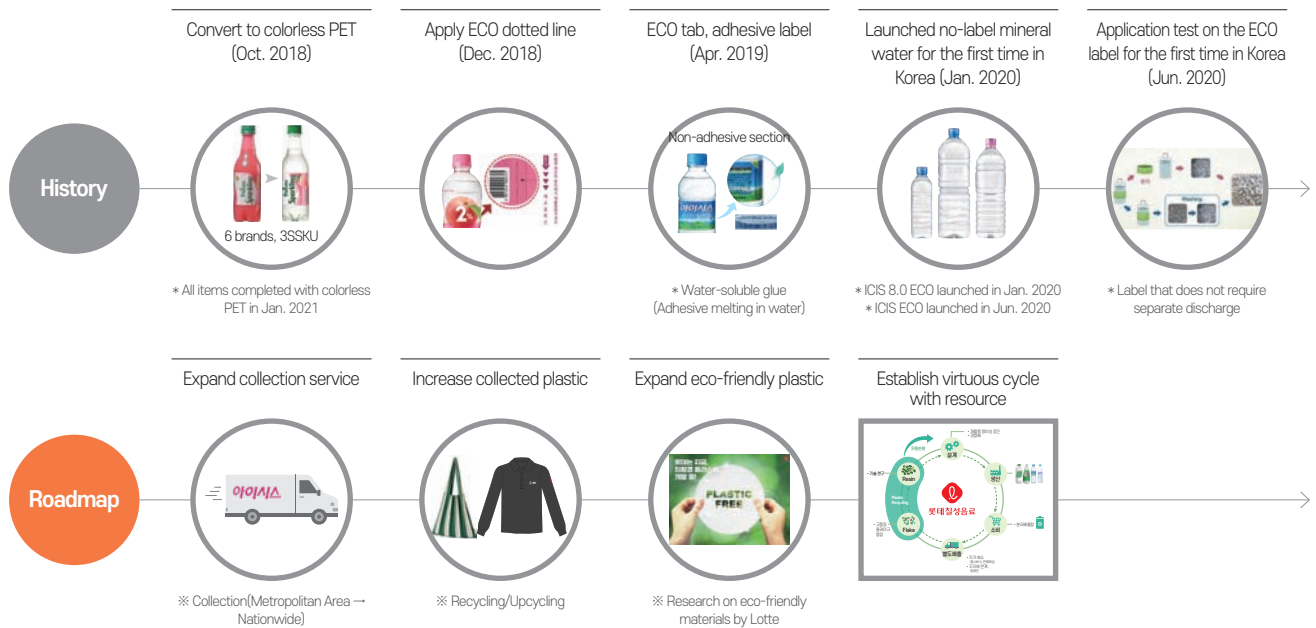


Performance of Resource Circulation

Plastic Recycling Strategy & Roadmap

Ever since the Rio Earth Summit in 1992 for improving the convenience of plastic recycling, the paradigm of corporate management has shifted to Sustainable Development Goal (SDGs) and Practice, and ESG management has emerged as a mandatory element. Lotte Chilsung Beverage has emphasized that environmental practices must be aligned with the demands of the times, and the company performs ongoing eco-friendly efforts such as reducing the source of wastes for improving the environment, and enhancing the material and structure of the packing material, etc. Recently, the company began to collect transparent PET bottle through the official mall, and completed the pilot production test on rPET, etc. in our ongoing efforts to establish the resource circulation system.

Roadmap on Plastic Recycling by Lotte Chilsung Beverage



Packing Material Improvement Activity for Eco-friendliness

As stated in the term mandatory environment, protection and improvement of the environment is not an option, but a requirement by the company. For eco-friendliness, Lotte Chilsung Beverage launched the ICIS 8.0 ECO removing labels on PET bottles, and 'Chum-Churum' soju was also changed from the existing green PET to a colorless one for production. In addition, a lightweight PET and introduction of the ECO tab for convenient separate discharge of the label were performed. The company is also in earnest performing improvement efforts on the eco-friendly packing material such as reviewing lightweight PET by filling nitrogen gas.

No-label & Transparent PET Products for Eco-friendliness

Main Products with Transparent PET Bottle



Convenient Separate Discharge of the Label



Weight Lightening for Waste Reduction

Lotte Chilsung Beverage continued to promote lightweight packaging for reducing the amount of waste. For example, ICIS 8.0 2.0L was reduced in weight from 51g to 36g in PET body in 2008, and mineral water 300ml was reduced from 17g to 10.5g. The 500ml product was reduced from 20g to 13g, and carbonated beverage products were reduced in weight from 28g to 24g. In addition, the 400ml PET of 'Chum-Churum' was reduced in weight from 32g to 24g in 2020, and 'Kloud' 1.6L became more lightweight from 53g to 48g. Before reducing the weight in comparison, an annual package waste of approximately was reduced by 6,000 tons in 2020.

Declaration of Natural Circulation

Declaration of Natural Circulation

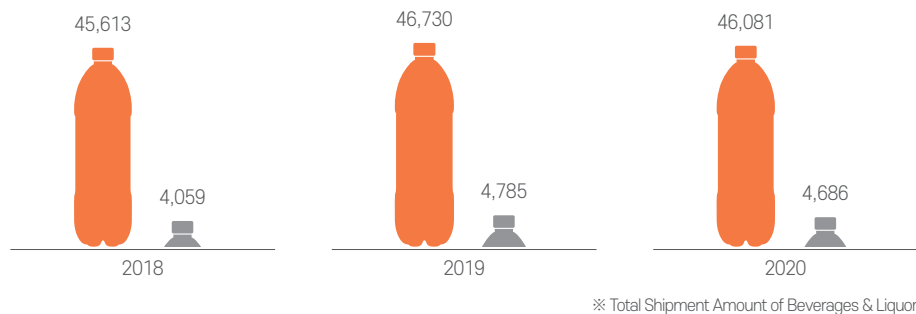
Recently, the necessity of resource circulation is increasing due to the incidents of refusing to collect recyclable materials. In terms of production, efforts are required to enable efficient recycling of resources. To be aligned with the needs of the times, Lotte Chilsung Beverage declares and practices as follows for improving the material structure to contribute to society on resource circulation by valuing the environment, and promoting the recycling of resources.

- Lotte Chilsung Beverage performs improvement of material structure on PET bottles.
- Lotte Chilsung Beverage shall expand the use of packages that are convenient for recycling through improvement of material structure such as expanding the introduction of water-soluble adhesives on PET labels, and by introducing dotted line label on the PET bottles.
- Lotte Chilsung Beverage shall establish the internal process on the evaluation of the material structure, and perform an assessment on the circulation.
- Unless the lightweight products do not have any issues in quality/distribution, Lotte Chilsung Beverage will continue the efforts on research and improvement on the weight reduction of the packing material for ongoing reduction of carbon emission and wastes.

LOTTE CHILSUNG BEVERAGE
CEO of Lotte Chilsung Beverage

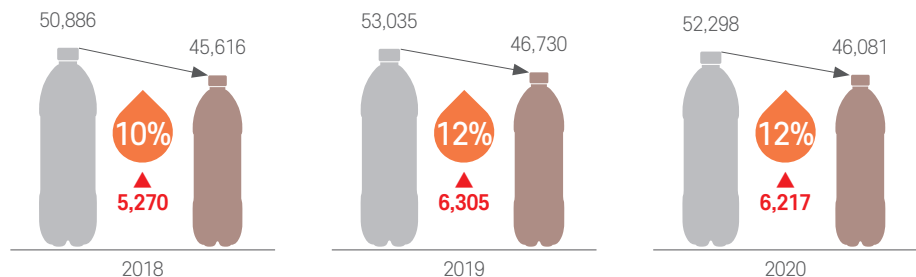
Plastic Shipment Amount

- PET Bottle (Ton)
- Other Synthetic Resin (Ton)



PET Bottle Weight Lightening

- Weight on Non-reduction (Ton)
- Total Shipment Weight (Ton)
- Reduction Ratio
- Reduction Amount (Ton)







SPECIAL PAGE

History of Drinking Spring Water Eco-friendliness

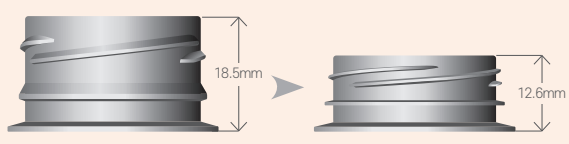


Eco-friendly Performance

<p>Thermal alkaline adhesive used</p>  <p>Separated in hot water of 80°C and 2% sodium hydroxide</p> <ul style="list-style-type: none"> Applied for first time in Korea (2013) → Expanded to all products (2018) Label separated in the recycling and cleaning process 	<p>ECO tab applied</p>  <ul style="list-style-type: none"> Introduced for first time in Korea (2019) Adhesive not applied on the end of the label to improve convenience when separating the label Recycling Grade Increased: Normal → Outstanding 	<p>No-label product launched</p>  <ul style="list-style-type: none"> Introduced for first time in Korea (2020) ICIS ECO received award for 3 consecutive years <ul style="list-style-type: none"> Received top prize from the Minister of Environment on the 2020 Competition on Good Packaging for Resource Circulation Received award from the Minister of Trade, Industry & Energy on the 2020 Outstanding Design Received award from the President of Korea Institute of Industrial Technology on the 14th Korea Packaging Contest Top Grade in Recycling: Most Outstanding
<p>Conversion to Laser Coding</p>  <ul style="list-style-type: none"> Previous: Ink coding (harmful chemical substance included) → Changed: Laser coding 	<p>500mL weight lightening</p> <ul style="list-style-type: none"> 14 g → 13.1 g Most lightweight square PET in Korea 	

Eco-friendly Planning

Short CAP applied



- Standard Neck (30/25) • Weight: 3.9g
- Short Neck(29/25) • Weight: 2.4g

• Plastic usage reduced 800 tons/year (Reduced KRW 800 million/year)

Resource Circulation Improvement Activities

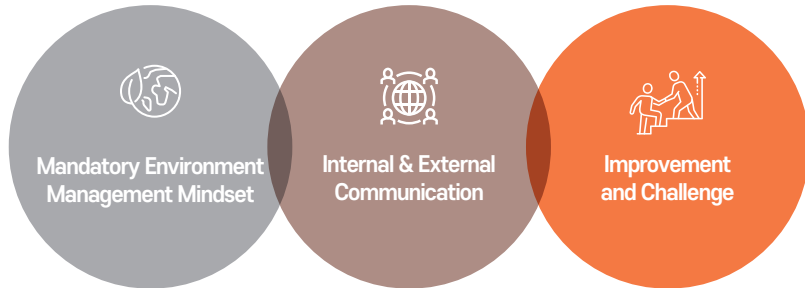
Lotte Chilsung Beverage is performing resource circulation efforts in cooperation between departments. Along with EHS, quality, brand, design, SCM and sales departments, discussion are closely held even with partners to implement mandatory environment management initiatives in the overall process of product design, production and recycling. By overcoming the technical limitations for improvement and challenge, Lotte Chilsung Beverage is achieving resource circulation outcome to lead the industry.

Establishment of Recycling System for Waste Vending Machine

Today, there are 3,000 tons of electric and electronic products for beverage storage that are disposed of annually. However, these products have refrigerant gas, such as GHG, and substances harmful to the human body such as lead and mercury, etc. Inappropriate collection and handling of these products can result in environmental pollution. Meanwhile, recycling these products can not only prevent environmental pollution, but also enable the reuse of metals such as iron, etc. that are included in the product to prevent environmental pollution and also reuse as a resource. Accordingly, Lotte Chilsung Beverage signed an MOU with the Ministry of Environment and other agencies on 'establishing the new collection system for waste electric & electronic products' to support the recycling of waste vending machines.



Waste vending machines collected



Development of Green Shelter on 18 Bus Stops with the Seoul Metropolitan Government

Lotte Chilsung Beverage transformed 18 bus stops in Yanghwa-ro and Sinchon-ro into pure and clean green shelters in cooperation with the Seoul Metropolitan Government. Developing the eco-friendly resting place for the bus stop was performed under the agreement for the 'Bus Stop Shelter Afforestation Project' signed in February 2020, and this project was planned to expand the culture of environmental improvement by creating the bus stops exposed to various air pollutants into clean green area. With this campaign, on the top of the bus stop, Lotte Chilsung Beverage planted evergreen stonecrop and Japanese pachysandra that are green plants for all seasons, and the walls were made of a 'Bio Wall' which is an eco-friendly air purifier that produces clean air using air purifying plants. In addition, flowers and plants were arranged on the upper side, walls and fences on the left and right sides of the bus stop to transform the desolate bus stop into a comfortable green shelter. Moreover, Lotte Chilsung Beverage afforested 18 bus stops in Yanghwa-ro and Sinchon-ro (6.2km) from Hajeong to Hongik Univ. Station, Sinchon and Ahyeon to provide comfortable space to all citizens and created a long eco-friendly road. Lotte Chilsung Beverage is planning to continue our initiatives to expand the green culture and create a pure and clean world through eco-friendly campaigns.



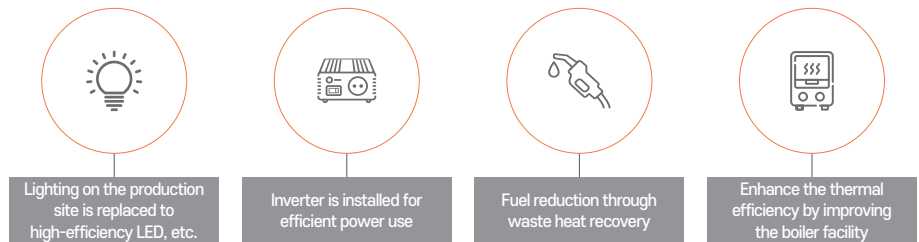
Sinchon Five-way Intersection, Line No. 2
Sinchon Station Bus Stop



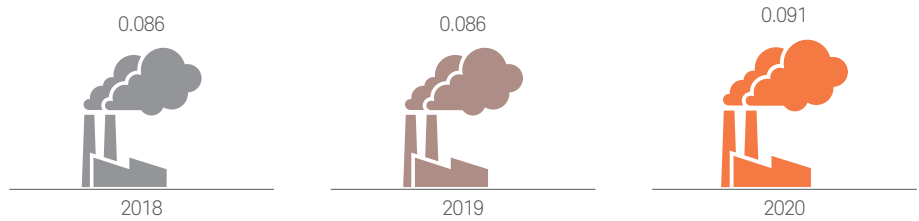
Response to Climate Change

Response Efforts to Climate Change

Lotte Chilsung Beverage is continuing the efforts to reduce GHG emission for the goal of carbon neutrality by 2040. By establishing our GHG reduction goal and energy unit goal for each worksite, efforts were performed in earnest on improving GHG and energy efficiency such as replacing LED lighting, applying high-efficiency systems and waste heat recovery, etc. Especially, the Lean-Production TF team was newly established in 2018, and new energy-saving items such as installation of the OPCM, etc. were discovered to respond to the climate change more effectively. In addition, photovoltaic power facilities were invested in Chungju Plant-2 and Anseong Plant, to lead in expanding the renewable energy that is at the core of carbon neutrality.

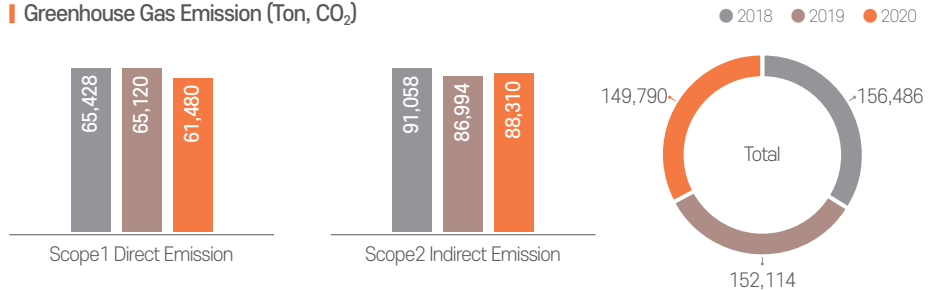


Greenhouse Gas Unit (Ton, CO₂/kl)



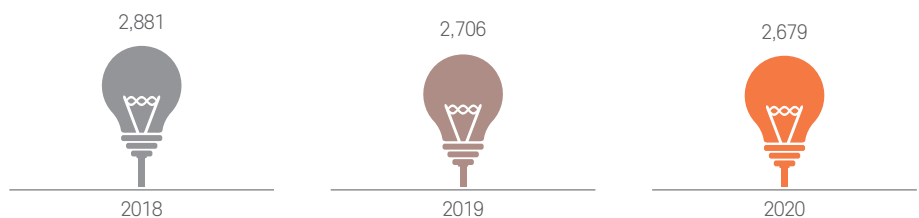
※ Emission standard on production sites (beverage, liquor)
 ※ Improvement Method: Reduce greenhouse gas emission by introducing high-efficiency system and replacing to LED light, etc.

Greenhouse Gas Emission (Ton, CO₂)



※ Total emission of beverage and liquor, emission of injection factory acquired in 2021 is excluded.

Energy Use (TJ)



※ Total Use of Beverage and Liquor

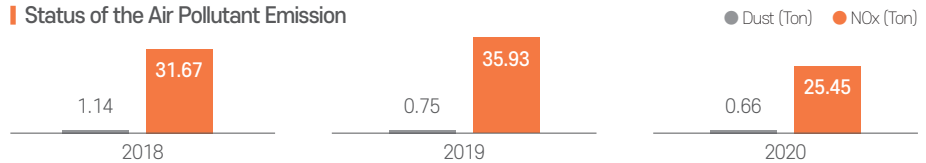


Environmental Pollutant Management

Prevention of Air Pollution

In Lotte Chilsung Beverage, LNG boiler and raw material storage tank are the main facilities discharging air pollutants, but the amount of air pollutants is lower than other businesses. Main pollutants are nitrogen oxide and dust, and air pollution prevention facilities such as the low-NOx burner and filter dust collector, etc. are installed and operated in an effort to discharge air pollutants in the lower concentration compared to the allowable legal exhaust standard. Especially in 2020, five high-efficiency low-NOx burners were further installed in Anseong Plant to reduce the nitrogen oxide amount greatly compared to the previous year. Moreover, self-measurement of the air pollutants is performed periodically to monitor the discharge concentration, and the environmental impact is minimized through daily inspection and maintenance of the air pollution prevention facility.

Status of the Air Pollutant Emission



Water pollution discharge control

Lotte Chilsung Beverage is operating various waste treatment methods such as activated sludge process, etc. to minimize the discharge of water pollutants. Especially, anaerobic digester such as the IC reactor, etc. was introduced for treating highly concentrated wastes from the worksite to improve the ability to remove the pollutant. In addition, in-house operating standards are better reinforced compared to the acceptable legal standards on the discharge of water pollutants, and the Opo Plant and Cheongju Plant are operating TMS (Water Tele-Monitoring System) to monitor the water pollutant discharge concentration in real-time. Moreover, the process is operated to establish the system on immediately reporting and improving the resolution of issues, such as the water pollutant discharge concentration of the worksite exceeding the internal standards, and the cause of the issue is identified to prevent the same issue from recurring.



Waste Water Treatment Facility



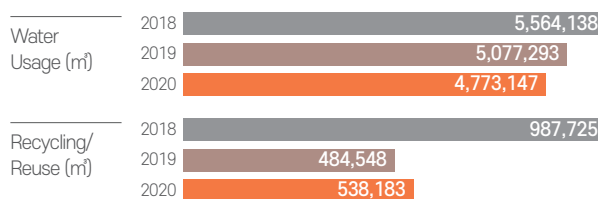
Waste Water Treatment Equipment



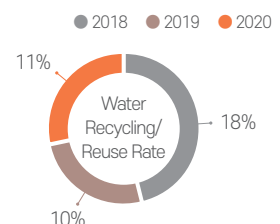
Washing-type Dust Collector System

Water Recycling/Reuse

Lotte Chilsung Beverage has performed various efforts such as reducing the water use itself, or increasing the recycling/reuse. Various reduction efforts were performed such as the CIP automatic value was installed to reduce the amount that overflows, and the water used for washing the new container for filling the beverage was collected to be reused as the make-up water of other equipment that is not in direct contact with beverages. Also, the final effluent satisfying the legal standards is filtered at the Gunsan Plant for reuse on washing the filter belt press. In 2021, CIP method will be improved and standardized to better reduce water usage in earnest.



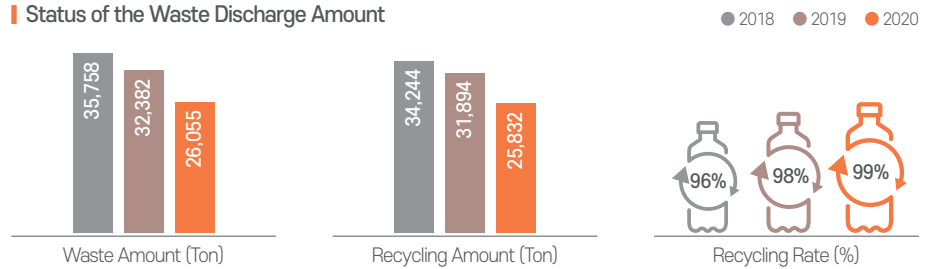
※ 2020 environmental information disclosure standard.



Waste Discharge & Recycling

Lotte Chilsung Beverage is an outstanding recycling company that recycles over 90% of the wastes that are generated from the worksite, and various recycling methods are used such as the ingredient for cement manufacture, earthworm food, and utilizing as the ingredient for fertilizers, etc. Also, reduction of the weight on the packing material was promoted continuously to reduce the occurrence of source for wastes, and sludge occurred in the process of waste treatment is reduced by replacing or maintaining the filter belt press. Moreover, worksites performing resource circulation management established higher recycling goal compared to the previous year in effort to achieve the goal.

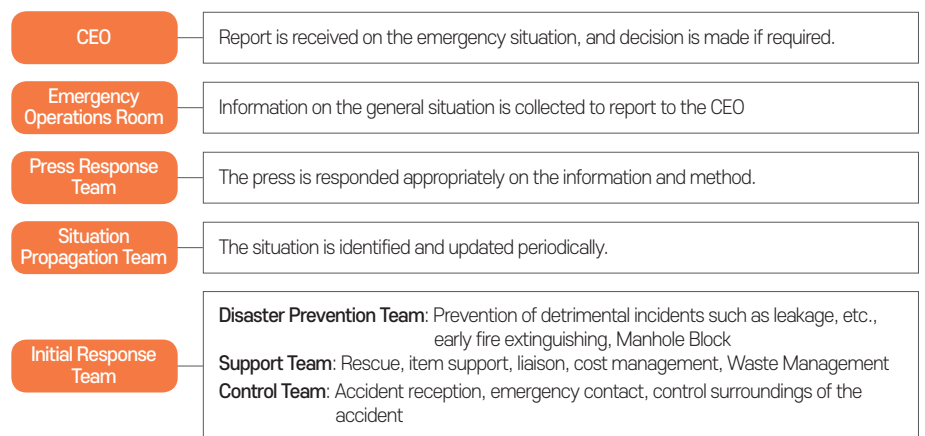
Status of the Waste Discharge Amount



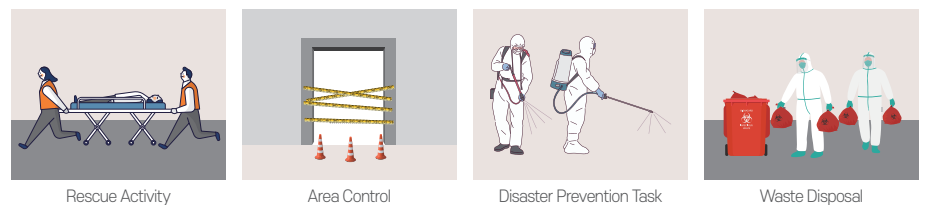
Management of Harmful Chemicals

Lotte Chilsung Beverage performs self-inspection on the facilities handling harmful chemicals once a week to preemptively prevent the risk of leakage from the handling facilities. Also, the scenarios for responding to chemical leakage is established and revised, and chemical leakage training is performed at least 2 times a year to handle the emergency quickly. Moreover, Lotte Chilsung Beverage is cooperating with partners in effort to reduce discharge of harmful chemicals by changing the CIP chemicals into non-hazardous chemicals through verification of the CIP effectiveness.

Emergency Training



Job Assignment Chart on Emergency Training





Other Environment Certifications & Awards

Green Company Certification

Lotte Chilsung Beverage has been designated as the Green Company as its will to practice green management at the Gangneung Plant, Gunsan Plant and Gyeongsan Plant has been acknowledged and ongoing environmental improvement is practiced by performing preemptive environmental management.



EPD (Environmental Product Declaration) Certification Acquired

Lotte Chilsung Beverage received the EPD Certification on the products for renewal management. EPD (Environmental Product Declaration) Certification measures and indicates the environmental impact occurring in the overall process of product life cycle including collection of the raw materials on the products or services, production, transportation, distribution, use and disposal, etc., and carbon footprint is the GHG emission converted into carbon dioxide emission. Lotte Chilsung Beverage has Carbon Footprint Certification on 3 types of Chilsung Cider products, and <Chilsung Cider> 1.5L received 436[Gco2/EA] of carbon emission in the stage 1 certification to reduce 18% to 356[Gco2/EA]. Accordingly, 'Stage 2 Low-Carbon Product' Certification was received. In 2021, certification was renewed not only on the existing product, but also on new products to continue the efforts on providing environmental information of the product to the consumers, and to reduce the carbon emission at the same time.



Eco-friendly Certification of Paper Pack Base Paper FSC (Forest Stewardship Council) & Straw

Most of the paper pack products are used with FSC certified products to contribute to protecting forest resources and the global environment. In addition, a review was jointly performed with the straw-maker partner to apply 30% 'sugar cane' biomass for straws, and the eco-friendly certification was acquired. The straws of all products in paper pack were applied with these eco-friendly straws from December 2020.

Environment Management Award

<p> Grand Prize in the Korea Environmental Awards, Resource Circulation Category Korea Environmental Awards Committee Jul. 2021 Business Site: Enterprise-wide</p>	<p> Award from the Minister of Environment for environmental preservation Ministry of Environment Dec. 2020 Business Site: Opo</p>	<p> Resource circulation from no-label received top prize from the Minister of Environment Ministry of Environment Nov. 2020 Business Site: Enterprise-wide</p>	<p> Award from the Minister of Environment for active implementation of the environmental system Ministry of Environment Sep. 2020 Business Site: Enterprise-wide</p>
--	--	---	---



Environmental Protection Efforts

1 River for Each Plant

Lotte Chilsung Beverage conducts the social activity on cleaning 1 river for each company by consistently cooperating with the community from 1980. With this, the company has contributed to purifying the large rivers around the concerned plant and worksites.



Chum-Churum Forest Creation Project

The 'Chum-Churum Forest Creation Project' that first began from 2018 is a new concept of environmental protection program, and this project of Lotte Chilsung Beverage has become an exemplary eco-friendly social contribution program. This project was first inspired by the awareness that the forest is the basis of life and part of nature that improves the atmosphere and greatly helps to purify the water. The project began in April 2018 by planting trees alongside citizens in Geonuiyeong, Samcheok, Gangwon-do that suffered from a forest fire, and this forest of 20,000m² in area was named 'Chum-Churum Forest No. 1' when the signboard hanging ceremony was held to kick off this forest restoration work.

Currently, 'Chum-Churum Forest No. 2' was created in the metropolitan landfill site in Incheon, and the third Chum-Churum Forest was created in the area suffering from forest fire in Dogye-eup, Samcheok-si, Gangwon-do. This is equivalent in scale to absorbing rainwater up to 25 million liters and about 848,000kg of carbon dioxide. Also, it is deemed to have the ecological benefit of producing 4.16 million kilograms of oxygen, and reducing 2,089,000kg of fine dust.

On Arbor Day, April 5, 2019, the 'Lotte Chilsung Beverage the starry Forest' event was held at Sori Park (Munjeong-dong, Seoul), and approximately 3,000 trees were planted in the area of approximately 1,300m². Various efforts of Lotte Chilsung Beverage for environment preservation were recognized to receive the Presidential Citation for World Environment Day on June 5, 2018.

Afforestation Projects

Classification	1st	2nd	3rd	4th
Name	Chum-Churum Forest No. 1	Chum-Churum Forest No. 2	Chum-Churum Forest No. 3	the starry Forest
Development Year	2018	2018	2019	2019
Area	20,000m ²	3,300m ²	20,000m ²	1,300m ²



Quality for Customer Satisfaction



Healthy Welfare



Clean Water & Hygiene



Sustainable Consumption and Production



Promotion Organization



Significance of the Issue



As the concerns for health are mounting, management of food safety became an essential factor in each stage of raw material production, manufacture, processing, preservation and distribution, etc. of the product. Lotte Chilsung Beverage will achieve customer satisfaction through comprehensive quality control by systematizing not only the design, manufacturing and sales, but also the indirect sectors of CSR and PR, etc.

Approach Method



- Establish hygiene management system in the life cycle of the product
- Establish food safety system
- Develop beverages for health & wellness
- Establish online & offline customer communication system

Major Performance



- HACCP introduced for the first time among beverage companies
- Food Safety Management System (FSSC22000) Certification
- Aseptic filling line applied
- Functional beverage launched by reflecting the well-being and health trend



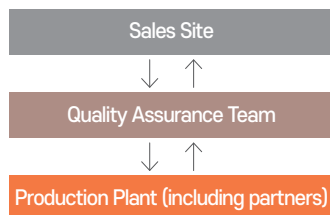
Quality for Customer Satisfaction

Operation of the Quality Safety Center

To secure the safety and improve the quality level, Lotte Chilsung Beverage makes ongoing efforts on the quality of our products for customer satisfaction by applying the system, site management and analysis, etc. centrally of the quality safety center. The quality assurance team is responsible for improving the claim, managing the product specification, reviewing the quality of new products, quality control of raw and subsidiary materials. Also, the quality innovation team is responsible for the laws and limit samples related to the food products, quality control of outsourced companies, quality control and integrated system on overseas business/imported foods, certification management, audit, recall, proposal management and investment in laboratory equipment. Applying the integrated management system, Lotte Chilsung Beverage is also establishing and operating the system on the management and follow-up management of FSSC 22000/HACCP (Hazard Analysis Critical Control Point, priority control standard on harmful substances to food), managing the independent evaluation system on the partner, and management and introduction of the product safety management system. In addition, onsite-visit training is required for the branch manager, branch chief, and sales personnel for quality control of the distributed products, and training materials on the distribution quality are distributed to the sales personnel to secure distribution quality and ensure effective communication with the sales organization. Lotte Chilsung Beverage performed strict quality controls, and the safety impact on the products will be inspected and improved throughout the overall processes of business operations in order to provide safe products to the consumers.

Visiting Quality Support on the Sales Site

In August 2020, Lotte Chilsung Beverage visited 18 CTs nationwide (reduced due to COVID-19, lower 30% of 2019 performance was selected to perform CT inspection on 58 CT in 2019) to perform training on product handling and storage method in summer, and inspection on the product storage condition during the prolonged rainy season. As a result of the inspection, it was pointed out that quality maintenance was required on the products to prevent possible contamination by airborne pests, and Lotte Chilsung Beverage will establish the national CT insect control system for quality control of the distributed products, and apply the system as a priority on CTs (8 CT including Gwangju, etc.) that had received consumer complaints to verify the effectiveness in the middle of its expansion to all CT nationwide.



Food Safety Management Policy

Lotte Chilsung Beverage established the food safety management policy as follows to provide the customers with delicious, safe and top-quality products and services for contributing to creating a healthy and comfortable life by providing pleasure and warm feeling to life through beverages.

1. Food safety management system is established based on the management system (FSSC 22000, HACCP) of international standards.
2. Customer-first principle is maintained, and demand is created by supplying products constituting a top-priority for customer satisfaction.
3. Necessary measures are considered to secure the safety from the product planning, development and design stage to production, logistics, sales and service.
4. To secure product safety, necessary internal and external laws and regulations must be complied, and higher safety goal is established.
5. Safety training and proper management on the products, and prevention of misuse and inappropriate drink must be reminded and enlightened. Also, the opinions of the customers are listened.

This policy is evaluated on whether it complies with the purpose of this business through periodic management review, and the policy is revised by the CEO for internal and external PR through the official website. The food safety system is implemented and maintained to secure the Safety, Taste and Service, and corporate culture trusted by the customers is realized through continuous improvement.

January 1, 2021
Yun-gje Park

Product Handling Method in the Winter Season

When the carbonated beverages are frozen, the carbonic acid gas saturated in the beverage is released and dissipates, leaving a refreshing feeling from the carbonation, and CAN and PET can result in issues such as label bursting and cap protruding due to expansion in volume. To cope with those issues, only the products manufactured possible for storage in the heating cabinet can be stored there in winter, and the indication is attached to the product packing box to avoid storing for over 2 weeks at an appropriate temperature (50~60°C).



Products possible for sales through the heating cabinet

Cantata Sweet Americano	Cantata Premium Latte	Cantata Cold Brew Black	Let's Be Mild Coffee	Let's Be Mocha Latte	Cantata Espresso Black	Corn Silk Tea
Let's Be Cafe Time Morning	Let's Be Cafe Time Latte	Let's Be Cafe Time Americano	Let's Be Cafe Time Condensed Milk Coffee	Let's Be Cafe Time Salt Coffee	Lipton Milk Tea	
Cantata Sweet Americano	Cantata Premium Latte	Cantata Caramel Macchiato	Cantata Contrabass Cold Brew Black	Cantata Cold Brew Black Sugar Latte	Cantata Peanut Cream Latte	
Korea Red Ginseng	Honey Red Ginseng	Warm Honey Lemon & Pear	Honey Apple & Cinnamon	Charm Soy Milk	Charm Soy Milk Sweet	



High Quality Beverages

HACCP introduced for first time among beverage companies



HACCP Certificate

Lotte Chilsung Beverage acquired the ISO 14001 certification to establish the HACCP (Hazard Analysis & Critical Control Point) system in stages from 2000. HACCP refers to the hygiene management system for preventing biological, chemical and physical hazards from being mixed or polluted on the relevant food in each stage from production of the raw materials for consumption by the end consumer. In 2000, the introduction of HACCP set the HACCP system as the first stage for the fruits and vegetable juice beverages at the Opo Plant, then carbonated beverages at the Yangsan Plant, and tea drinks at the Daejeon Plant. Since then, HACCP system was expanded for each plant and item.

Moreover, the actual condition of hygiene management was diagnosed by site inspection, and facility and equipment improvement measures were established according to the diagnosis result to perform the efforts for improving the process equipment and working environment. As a result, Lotte Chilsung Beverage was accredited for establishing the systematic hygiene management system for each stage of production, storage and distribution, etc., and enhanced its trustworthy status among consumers.

Food Safety Management System (FSSC 22000) Certification



FSSC 22000 Certificate



FSSC22000 acquired on Chungju Plant-2 (Aug. 2019)

By introducing HACCP to enhance the food safety standard, Lotte Chilsung Beverage also acquired the Food Safety Management System (FSSC 22000) to adopt the top-class food safety system. FSSC 22000 is a global standard established by GFSI (Global Food Safety Initiative) centrally of global food companies (Nestle, Kraft, etc.), and it is a food safety management system that manages the food safety hazards for each stage of raw material production, manufacture, processing,

preservation and distribution, etc. allowing for the guarantee of food safety to consumers.

To acquire the certification, Lotte Chilsung Beverage established management responsibility, resource management, safe product planning and realization, and food safety management system verification and improvement, etc. as the application fields, and provided the implementation and compliance standards on the risks to establish the management program for implementing these standards. In the process of acquiring the certification, Lotte Chilsung Beverage resulted in improving the overall management system of the company such as maintaining the work consistency in each field of production and management, etc., clarifying the responsibilities, and establishing transparent operation system, etc.

Expansion of Aseptic Filling Line Application

Lotte Chilsung Beverage has introduced and operated the aseptic line for the first time among beverage companies to provide safer and more delicious beverages to customers. Accordingly, quality safety was reinforced by eliminating the source of potential contamination, and loss of unique scent and nutrition that can result from the heat treatment process was minimized to provide high-quality and more value-added products to our customers. The aseptic line was first applied to the tea and coffee products to be expanded to functional beverages, juices, and carbonated products, and the line-up will be expanded going forward.

Children's Favorite Food Quality Certification

Children's Favorite Food Quality Certification System is the quality certification to be complied with the standard set by the Minister of Food & Drug Safety to recommend the manufacture, processing, distribution and sales of the children's favorite foods that are safe and have balanced nutrition.



Tropicana Pure Orange, Grape and Apple



Organic Juice Apple & Carrots, Red Beet & Pear & Tomatoes, Red Grapes & Purple Carrots, Orange & Mango & Pumpkin

Organic Certification

It is the system that certified by the Ministry of Agriculture, Food & Rural Affairs (MAFRA) and Minister of Maritime Affairs & Fisheries for the products that comply with the certification standards required for the manufacture and processing of organic processed foods to develop the concerned industry and protect consumers.



Organic 100% Pomegranate Juice



Organic Juice Apple & Carrots, Red Beet & Pear & Tomatoes, Red Grapes & Purple Carrots, Orange & Mango & Pumpkin

HALAL Certification

HALAL refers to the Arabic word for 'Permissible', and it is the certification granted only to the foods slaughtered, treated and processed according to the Islamic law to enable Muslim consumers to consume the product, and this certification is required to export products to Islamic countries.



Chilsung Cider

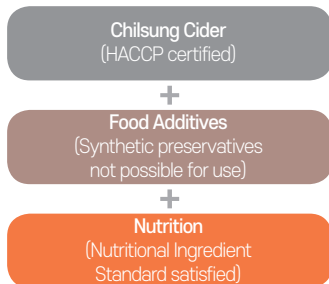


Milkis - 6 types



Aloe Vera Juice, Aloe Vera Juice Sugar-free

Beverage Quality Certification Standards



Beverage Quality Certification Standards

Hazard Analysis Critical Control Point

HACCP(Hazard Analysis & Critical Control Point)

Food safety system for defining the hazards at risk of occurring in each stage from raw material manufacturing, manufacture, processing, preservation, distribution to intake by the end consumer, and perform priority control systematically for preemptive prevention

SPECIAL PAGE

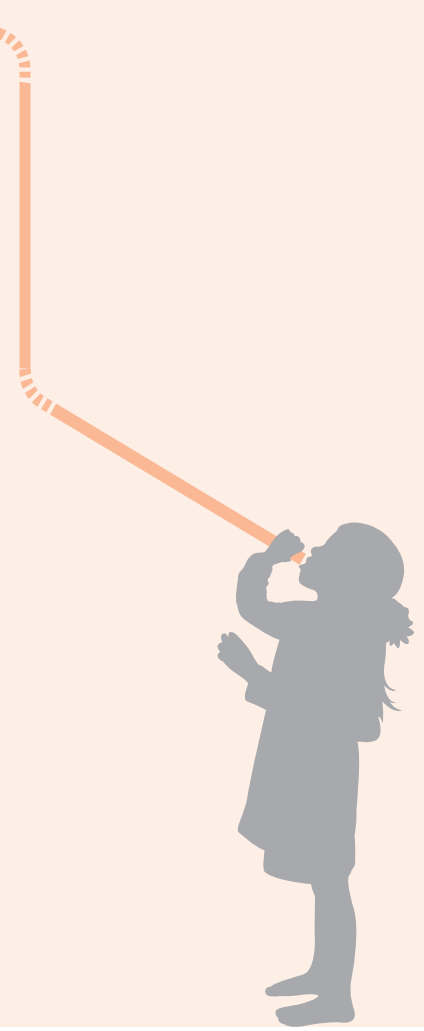
Healthy Beverages Launched to Lead the Future



Lotte Chilsung Beverage is expanding the line-up of functional beverages aligned with consumer demand for health and low-sugar beverages. Focus was made from the initial stage on the increase in interest of consumers on zero-calorie carbonated beverages, and in January 2021, <Chilsung Cider Zero> was launched in the line-up of "Chilsung Cider", the representative brand of Lotte Chilsung Beverage. It has "Zero-calories", but the taste and scent are same as the existing product to enjoy a good response from the market. Also, the vitamin drink <Lemon Vita 1000> went through formulation renewal, and a new product <Pomegranate Collagen 500> was developed for the young women in their 20~30s with great interest in skincare to increase their accessibility towards health beverages.

Kaesukang ranked fourth in the hangover relief beverage market in a year as its proven use of "patent ingredient" and novelty were delivered to consumers. Moreover, Lotte Chilsung Beverage launched the premium children's juice <O'rganic> which uses only organic fruits and vegetables grown from soil that does not use pesticides or chemical fertilizers. Along with Apple & Carrot and Red Beet & Pear & Tomato, the line-up was expanded to Red Grape & Purple Carrot in 2020, and the sales exceeded 2.6 million products in just 2 years to be loved by children. To meet the preference of healthy beverages, <Pinkfong Rooibos & Barley Tea> containing rooibos without any caffeine and safe for mothers and babies was launched.

Lotte Chilsung Beverage is planning to use the healthy products as the new growth engine that will be responsible for the future of mankind, and even advance into the healthcare industry in the future by reinforcing the research capabilities and material development.



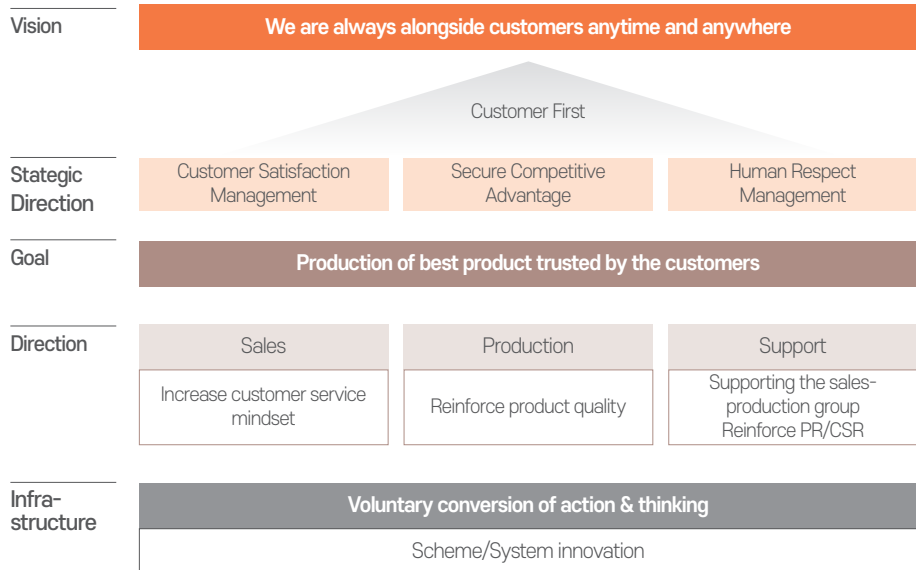


Practicing Customer Satisfaction Management

Response to the Customer Demand

Due to the characteristics of the business, Lotte Chilsung Beverage is in direct touch with consumers every moment. Therefore, customers constitute the basics of management from the initial period of establishment, and we are aware that customers must be satisfied to enable both business performance and sustained business growth. Increase in the sovereignty of consumers also became a motive for having new perspective on customers. Accordingly, Lotte Chilsung Beverage took the lead on holding a proclamation ceremony on customer satisfaction management during the company’s 44th anniversary in 1994, and CSM (Customer Satisfaction Management) was officially declared. Lotte Chilsung Beverage has established customer satisfaction management strategies by performing customer satisfaction surveys, and intensive training and detailed work process innovation efforts are conducted with all employees.

Customer Satisfaction Management Promotion System Chart



Customer Satisfaction Management Efforts Internalized into the Corporate culture

Lotte Chilsung Beverage started with the vision of being with customers anytime, anywhere, and implemented a strategy to promote innovation in strategic organizational thinking and behavior and to secure a continuous competitive advantage by realizing customer satisfaction through product service and work process improvement. Customer satisfaction management is operated 3 stages aligned with this vision and strategic direction, and in stage 1, external customer satisfaction survey, employee satisfaction survey, identification of the improvements on the work process, and development of CSM training program and system, etc. are pursued. Stage 2 is the practical innovative activity stage, and establishment of the CSM system and strategy, redesigning the work process, and benchmarking, etc. were performed, and stage 3 is the follow-up management stage to perform periodic CS events, internal and external PR efforts, and improvement efforts for each division and class, etc.

Establishment of Digital Customer Communication Promotion System

For effective communication with our customers, Lotte Chilsung Beverage created various types of online channels. Especially, focus was made on SNS and YouTube to establish the new digital marketing channel that integrates all brands from the consumer perspective for operation. The beverage business is performing communication through online social media in Instagram and YouTube, and these social media channels are performing the role as a window for delivering the latest news on the brand. YouTube Chanel 'Knipuni and Friends' is posting animations for the toddlers with the characters in the shape of children's drink 'Organic Juice', and the channel recorded over 70,000 subscribers in just 3 months.

Also in the liquor business, brand page is created according to the characteristics of the brand to perform customer communication through online. Separate online social media channels are operated for each brand such as <Chum-Churum>, <Chungha>, <Kloud> and <Mirim>, and along with the official YouTube channel of Lotte Chilsung Liquor, a separate YouTube channel is operated specialized on liquor and customized for the targeted generation under the name of <Let Ju Get It>. Lotte Chilsung Beverage is communicating with our consumers consistently by promptly reflecting the latest trends on the liquor market such as web entertainment and web dramas, etc., and new contents method of producing consumer brands requested by our consumer was implemented for the first time in the industry. Also, <Chum-Churum> and <Chungha> utilizing a media personality consistently maintained the B-rated emotions and concept that is sympathetic to the 2030 generation to create many remakes.



Provide information for the safety of products and hygiene, and for health and well-being of consumers

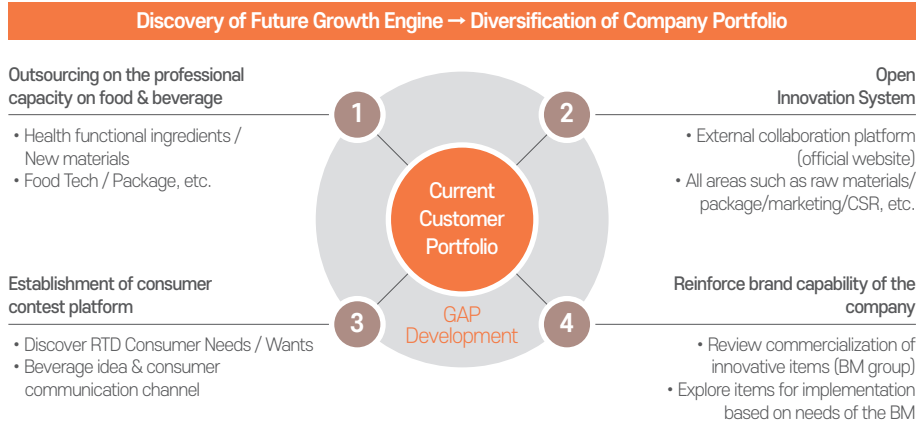
Lotte Chilsung Beverage has focused various efforts to provide information that can be trusted by customers. By complying with the laws on providing information and following the strict independent guidelines on providing information on raw materials, information on the fresh raw materials were provided to customers. In addition, information is managed on the raw materials that are indicated, as well as the hygienic condition, firefighting and facilities, etc. for internal management. In the future, we are planning to apply more reinforced global standards to provide product information on healthy foods and the information preferred by our consumers.

OPEN INNOVATION

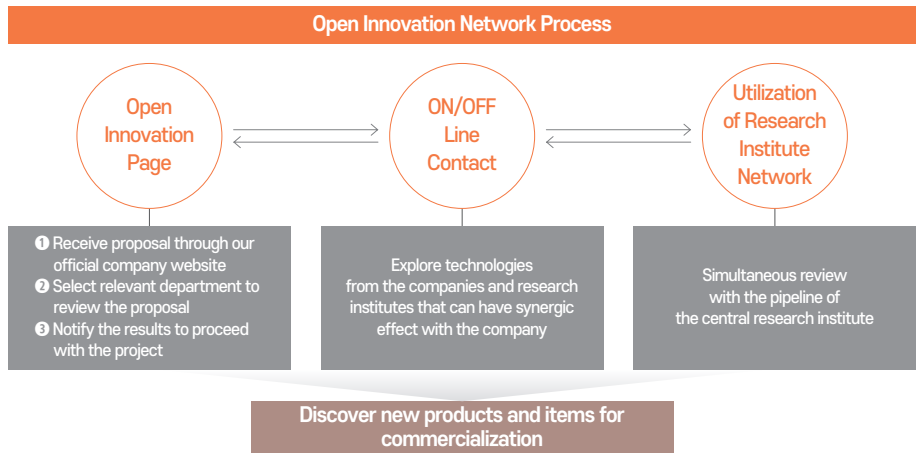
Open Innovation

Open Innovation has adopted the technologies or new concepts required by the company from external sources, or sharing our internal resources externally to develop new products and services. Lotte Chilsung Beverage developed the external collaboration platform on our official website to discover and support various ideas that are possible for cooperation in all areas such as raw materials, package, marketing and CSR, etc. As a result, there were 173 proposals in 2020 to increase over 3 times compared to 55 proposals in 2018. Key cases of open innovation include the hangover drink "Kaesukang" that was developed by discovering our hangover drink ingredient partner, installation of the Chilsung customized recycling bin to perform the promotion participated by the consumers, launching health functional foods in cooperation with the oral health food startup "Bareun Co., Ltd.", and the prosumer marketing "Beverage School" that enables the consumers to plan the products directly.

Purpose of Promotion



Network Process



Main Performance



1st New Product Idea Contest on the Beverages for All
Product
Nov. 2018



See More →

SPECIAL PAGE

Provision of Sustainable Product Information



Improvement on the consumer rights of the disabled by expanding the braille markings

- 2008 Beverage' inserted in canned beverage products
- 2014 'Beer' inserted in canned beer products
- 2017 'Carbonated' inserted in canned carbonated beverages
- 2021 Insertion of brand name on PET beverage products : Insert 'Chilsung Cider', 'Pepsi-Cola', '2%', 'Gatorade', type of Soju PET product and product name : 'Soju, Chum-Churum'



Reinforcement of compliance to product indication regulations

- 2018 Products marked with 100% is indicated with 100% additives, and marked with the same size near the indication
Allergen 'Pine Nut' expanded in marking
- 2019 Standard of letter size and space, and bold letter for country of origin
- Applied to all products
- 2020 Functionality labeling system newly established
- Mark-up new product to be launched within 2021
- 2021 Mandatory labeling of nutritional information on liquid tea
- Application to be completed within 2021



Classification	Overall Foods	Food Labeling Advertisement	Other labeling regulations	Health Functional Food
Laws	Food Sanitation Act	Food Labeling & Advertisement Act	Origin Labeling Act Resource Recycling Act Eco-friendly Agriculture & Fisheries Act Special Act on Safety Management of Children's Dietary Lifestyle	Health Functional Food Act
Main Contents	Regulation by Korean Food Standards Codex and overall restriction on the foods	Verification on the detailed labeling regulation and advertisements	Regulations related to origin, container packing material, eco-friendly & organic foods and children's favorite food	Regulation on the overall health functional foods

Support for Employee Value



High-quality education



Gender equality



Good jobs & economic growth



Organization



Significance of the Issue



The importance of recruiting and training outstanding talents is emphasized for adapting to the rapidly changing environment. Especially, many companies are promoting quantitative and qualitative development of their workforce for continuous growth of the domestic and foreign businesses. Accordingly, Lotte Chilsung Beverage is hiring talented people with fair and transparent evaluations through the introduction of spec tackle recruitment, and is striving to become a good company to work through the spread of educational support circular work-label.

Approach Method



- Recruitment process reflecting diversity
- Horizontal organization to show creativity
- Establish labor-management relationship of trust and win-win
- Realize work-life balance through digital innovation

Main Performance



- Recruitment of vulnerable groups reflecting the talent image
- Application of a new grade system
- Open Relationship
- Build an artificial intelligence advisor, Charlotte



Support for Employee Value

Exemplary Labor-Management Culture of Trust & Win-Win

Lotte Chilsung Beverage established the 'Creative Lotte Management-Labor Culture System' that includes the labor-management charter and pledge of practice to realize the vision of 'creative management-labor culture', and the joint management-labor program is being practiced continuously for the goal of corporate growth, happiness of the employees and social contribution based on trust and cooperation by the labor and management. Sustainable growth will be achieved through creative efforts in joint by the labor and management, and the structure of virtuous cycle will be established to create happiness for the employees to stabilize the management-labor culture for the happiness of employees and society.



Work and Life Balance

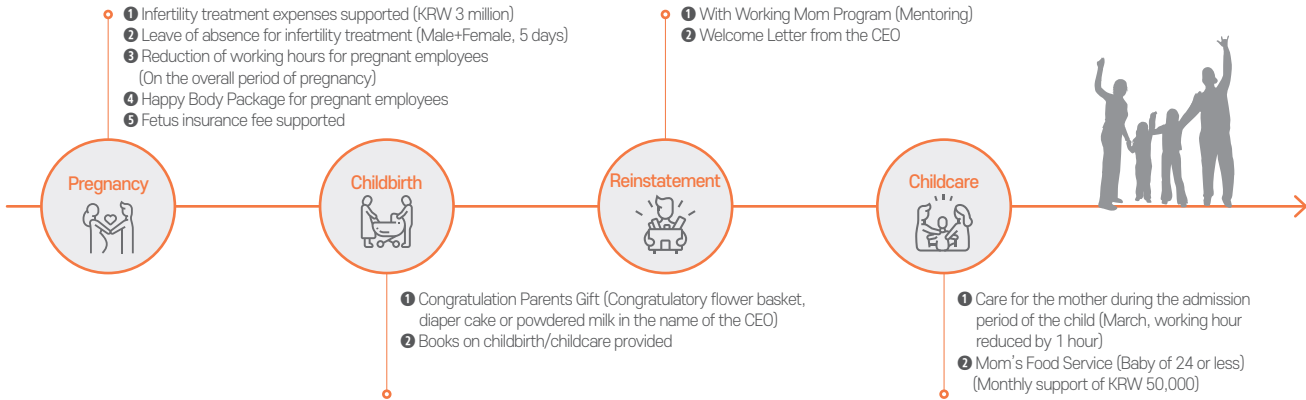
Lotte Chilsung Beverage will promote enterprise-wide activity for creating a new corporate culture starting from the installation of TF team in the corporate culture committee. Corporate culture committee is the group that develops the corporate culture of Lotte and promote the improvement of employee welfare for the goal of 'Loved Lotte, Restoring the Trust with the Society', and periodic meeting are held along with efforts are performed to produce the ideas and practical methods for newly re-establishing the corporate culture. With these efforts, improvement of employee welfare is promoted by realizing the subsidy for housing, expanding general medical examination for employees, improving the resting space for female employees, and activating paternity leave, and working environment is improved by introducing the manager UP day and expanding PC OFF system, etc. In addition, various improvement efforts were performed to help improve the morale of our employees. Various support systems were established better aligned with the life cycle of employees such as introducing the leave of absence for protecting the motherhood to prevent the females talents from undergoing the setback of career disruption due to pregnancy, childbirth, and childcare, and even the male employees are enabled to utilize the paternal leave. Since the paternal leave for male employees was first introduced in 2017, more than 200 employees utilized this system annually since 2020.

▮ Paternity Leave

“ Precious moment that will never return ”

Purpose	Work-Life Balance Support	
Target	Employees with childbirth since Jan. 1, 2017 (Male)	
Period		
Classification	Single-Income	Double-Income
Time	Within 1 year from childbirth	Within 2 years from childbirth
Period	Use for min. 1 month	
Wage Support	100% of the ordinary wage is preserved on the first month	

Expansion of family-friendly system for work-life balance



Management-Labor Development

Classification	Delegate Convention	Delegate Training	Labor-Management Workshop of Sales & Production	Negotiating Committee Member Workshop
Date	1 time/year	1 time/year, 2 nights & 3 days	2 times/year, 1 night & 2 days	2 times/year
Target	CEO and executives of labor-management	Executive members of the labor union, delegate and company executives	Site managers	Negotiating committee members of labor-management
After 20 years	-	Discontinued due to COVID-19 (To be resumed after COVID-19)		

Employee Communication

Lotte Chilsung Beverage is also active in performing activities for internalizing a sound corporate culture. Junior Board is used to enable the employees to share the vision and direction of changes on the company through the hot line with the CEO, and open communication is conducted periodically. Also, the anonymous communication notice of 'Open Relationship' is established to eliminate any barriers in communication between the departments and to create a culture of exchanging opinions openly and progressively. Moreover, Lotte Chilsung Beverage is providing opportunities for uniting our employees through the family invitation program and Hanmaum Event for Lotte Families, etc., and this has allowed a boost in pride as Lotte family members.



Junior Board



Open Relationship: Window for communication between the head office and site

Hanmaum Chilsung with the Family

 <p>United Club Football Competition</p> <p>Labor-management develop sense of unity on harmony and win-win through the physical activities</p> <p>Schedule Every April</p>	 <p>Hanmaum Workshop for Harmony of Labor-Management</p> <p>Event for promoting harmony and unity on all employees and their families</p> <p>Schedule Every October</p>	 <p>Overseas training for outstanding employees of labor-management cooperation</p> <p>Opportunity for overseas training is granted to employees with outstanding labor-management cooperation that contributed to creative labor-management culture</p> <p>Schedule Every October-November</p>	 <p>Hanmaum Festival for Lotte Families</p> <p>Festival for all labor-management families to enjoy together</p> <p>Schedule Every November</p>
---	--	---	---

Wise Work Life



All-day Free Dress Code



Smart Office in Sales Sites

Lotte Chilsung Beverage produced and introduced the webtoon 'Wise Work Life' to induce interests of the employees, and to stabilize proper corporate culture. The webtoon is provided to the public online and offline on various topics such as creating the culture of mutual respect, the future that we dream of, and things that we must protect, etc. Moreover, travel expenses and accounting Payment regulations. are revised in an effort to improve the work efficiency.

Since February 2018, the all-day free dress code culture was instated to maximize the flexibility in the work, autonomy and creativity for all employees.

In order to improve productivity through efficient work methods, we are trying to improve work performance by abolishing the use of approval file, utilizing one paper reports, and conducting electronic approval for repeated tasks. Moreover, Lotte Chilsung Beverage is continuing our efforts to enhance the vitality of the sales site by separately operating the logistics center in suburb areas with the offices, applying efficient organizational management through the separation of the sales and delivery tasks (office/warehouse), and increasing the work satisfaction level by improving the office environment.



Implementation & Stabilization of Human Rights Management

Lotte Chilsung Beverage established the "Lotte Chilsung Beverage Human Rights Management Charter" to fulfill our social responsibilities and roles to protect and enhance human rights, and prevent the infringement of human rights that can occur in the overall business and value chain of Lotte Chilsung Beverage to continue our growth as a sustainable company. As a general beverage company, Lotte Chilsung Beverage is officially supporting the global standards related to human rights and labor such as the 'UN Universal Declaration of Human Rights', 'ILO Agreement', 'OECD Multi-national Company Guideline' and 'UN Guiding Principles on Business and Human Rights', etc., and the 10 major principles in the 4 fields of human rights, labor, environment and anti-corruption in UNGC are implemented in earnest throughout management. The human rights respected by Lotte Chilsung Beverage refer to the individual protections recognized internationally. Human rights acknowledged internationally include Universal Declaration of Human Rights, International Covenant on Civil and Political Rights (Right to Freedom), International Covenant on Economic, Social and Cultural Rights (Social Rights) and key agreements of the International Labor Organization (8 key agreements on the freedom of association, prohibition of forced labor, child labor, and discrimination).

Lotte Chilsung Beverage Human Rights Management Charter

Lotte Chilsung Beverage Human Rights Management Charter

To become an exemplary and respected company, Lotte Chilsung Beverage shall respect and practice major international human rights norms such as the Universal Declaration of Human Rights, etc. to protect the human rights of the employees and all stakeholders. For this, Lotte Chilsung Beverage shall declare the following "Human Rights Management Charter" as the principles of the actions and value judgment that must be followed by all employees, and efforts shall be continued to stabilize and spread human rights management.

- We shall support and comply with the domestic and foreign standards and norms on the human rights including the Un Universal Declaration of Human Rights.
- We shall not discriminate all stakeholders including the employees due to the difference in race, religion, disability, gender, place of birth and political opinion.
- We shall guarantee the freedom of employees on association and collective bargaining for human rights enhancement and enhancement.
- We shall not tolerate forced labor and child labor of any form.
- We shall create safe and sanitary working environment to guarantee the occupational safety and right to health.
- We shall continue the efforts for win-win development with the partners, and provide support and cooperation to practice human rights management.
- We shall respect and protect the human rights of the local residents in the area of performing business activities.
- We shall comply with the domestic and foreign laws related to the environment, and provide efforts to protect the environment and prevent environmental disasters.
- We shall continue the efforts to prevent harm to national safety from the business activities, protect the personal information collected from work, and guarantee access rights by the government.
- We shall provide quick and appropriate relief measures on the infringement of human rights that may occur from the business activities.
- We shall provide efforts to protect the human rights of all stakeholders including the employees, and continue the efforts for stabilizing and spreading human rights management.

Executives & Staff Members of Lotte Chilsung Beverage

Procedure of Relief on Human Rights Infringement



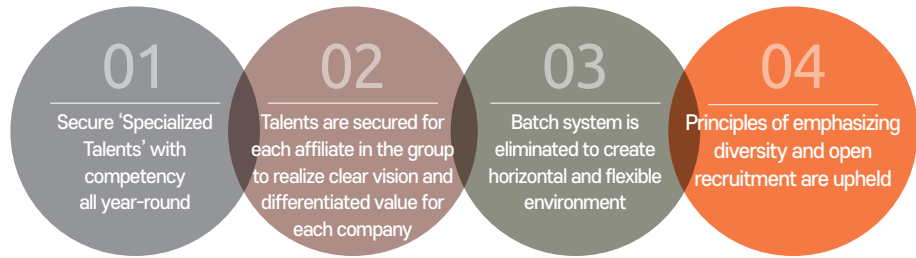


Open Talent Recruitment

Recruitment process providing fair opportunity

Lotte Chilsung Beverage recruits the applicants of the division concerned with proper competency and proficiency through a fair process. Newly recruited employees are supported through various trainings and field experiences to be developed into talents appropriate for the company. Moreover, various recruitment opportunities are provided to the socially vulnerable class to become a contributing corporate citizen. To recruit the right people for specialized positions for the company, Lotte Chilsung Beverage no longer performs regular recruitment sessions that was performed by the group twice a year from March 2021, but instead recruitment is performed frequently on a need-by-need basis.

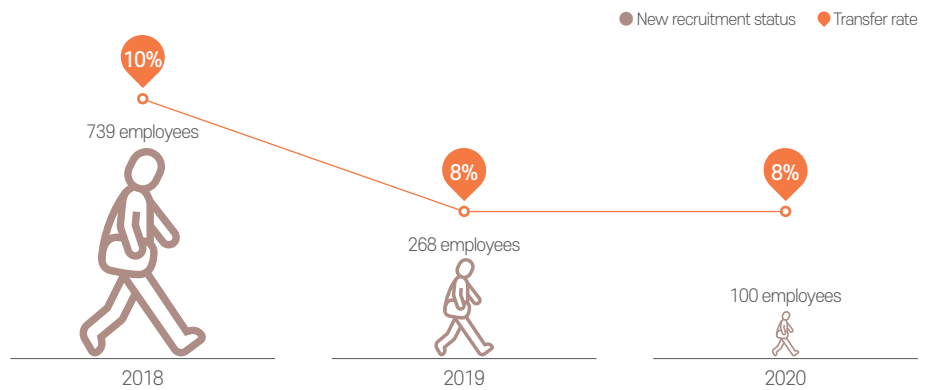
Reorganization of the policy by introducing the frequent recruitment



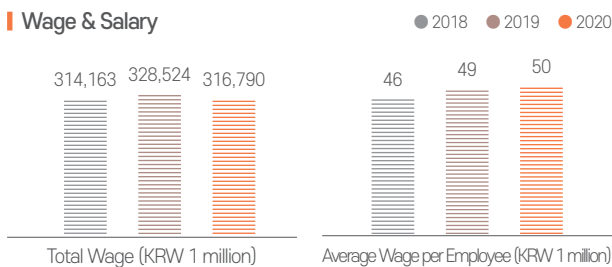
Conversion to job competency-centered non-periodic recruitment

Lotte Chilsung Beverage recruits applicants from ongoing open recruitment to respond to the rapidly changing market and to acquire the competent talents required for the position in a timely manner. Moreover, various recruitment channels and tools are utilized to recruit the talents that are most appropriate for the competency required for the individual position.

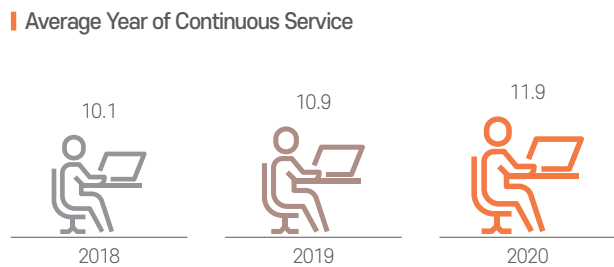
New Recruitment & Transfer Rate



Wage & Salary



Average Year of Continuous Service



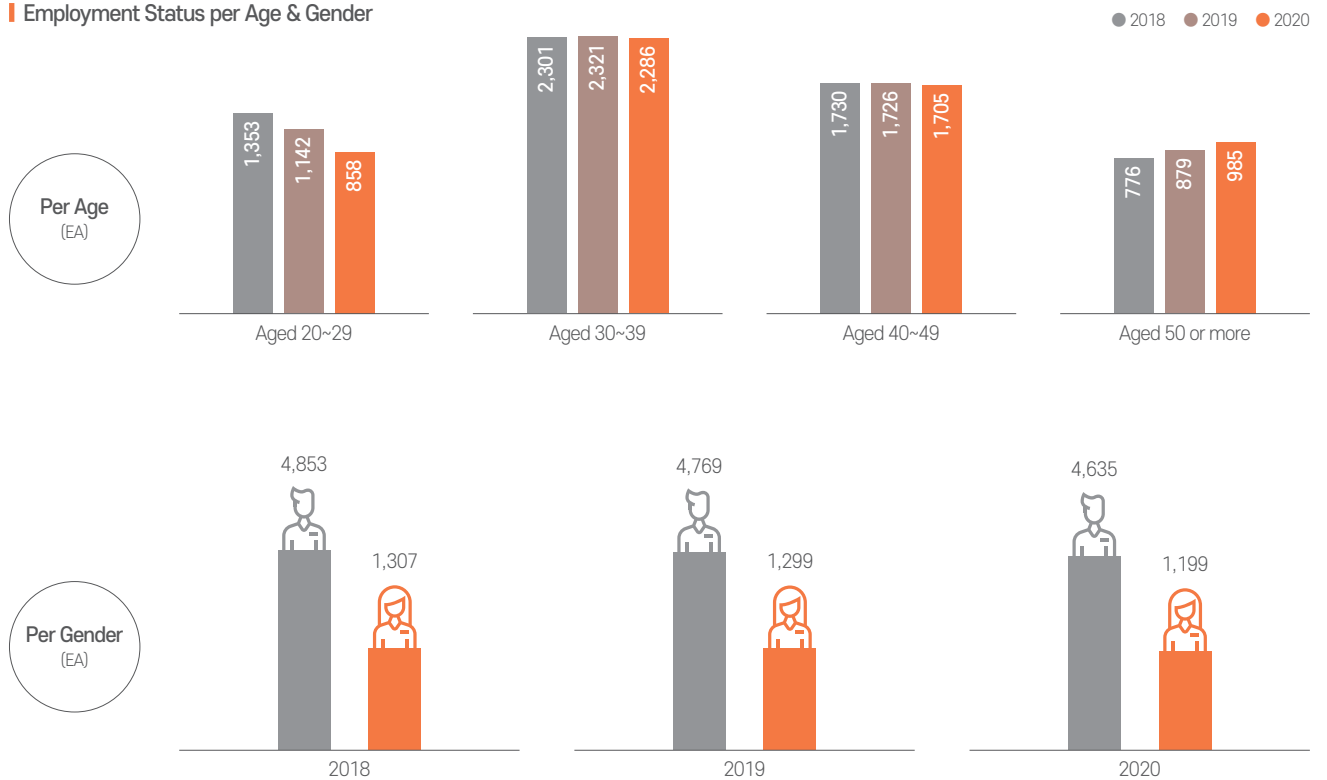
Talents of Lotte Chilsung Beverage

In order to achieve the vision of 'Trustworthy Lotte Chilsung People' to provide life value to customers, we are hiring talented people who meet the six core values.(i.e., 'challenge', 'passion', 'respect and consideration', 'collaboration and cooperation', and 'creativity and innovative results')

Trustworthy Lotte Chilsung People, equipped to provide Lifetime Value to our Customers



Employment Status per Age & Gender





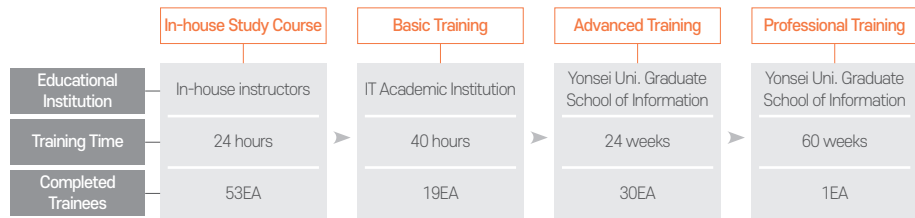
Development of Outstanding Talents

Talent Development Program

Since Lotte Chilsung Beverage reorganized the grade system and the corporate structure, the company is operating various systems for developing competent talents with the purpose of increasing the internal and external competitiveness of our work force. The company is continuing our efforts on talent development by operating programs such as 'Training by Level' focusing on basic competence enhancement through performance improvement by position type and change management for thinking and action, 'Training for performance improvement' strengthening competencies for basic work skills and performance improvement, and 'Training of Strategic thinking' cultivating strategic thinking and maximizing individual competitiveness. Especially, a program is recently operated on focusing the development of data analysis talents in response to the Fourth Industrial Revolution. In-house instructors are utilized to support each stage of training from the self-study course to total curriculum through the specialized graduate school, and talents in DT field are continuously developed.

Also, the 'Learning Community' program where 2~6 members voluntarily decide the topic and method of learning to study freely is operated, and the youth board of directors of 'Junior Board' is also operated to leverage the good judgment of young employees to come up with brilliant ideas for new future businesses.

Talent Development Program



Non-face-to-face Training System Established

To enable training to be performed continuous and effectively even amid COVID-19, Lotte Chilsung Beverage quickly converted the training system to non-face-to-face method. Through this, employees are voluntarily participating in onsite training, and online training is activated through two-way communication.



Operation of Corporate Venture System

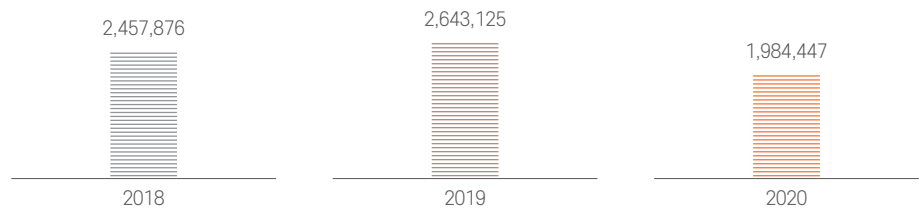
In 2018, Lotte Chilsung Beverage introduced the Corporate Venture System to enable our employees to gather innovative ideas to create opportunities for new businesses and to expand the active and entrepreneurial corporate culture. Annual competition of 'Corporate Venture Start Day' is held to review the ideas proposed by employees, and the selected ideas are supported with wage, operating funds and initial business investment to enable the idea to be effectively commercialized.



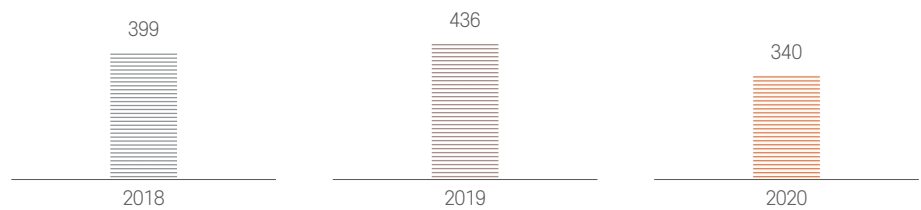
Corporate Venture System

■ Status of Employee Training

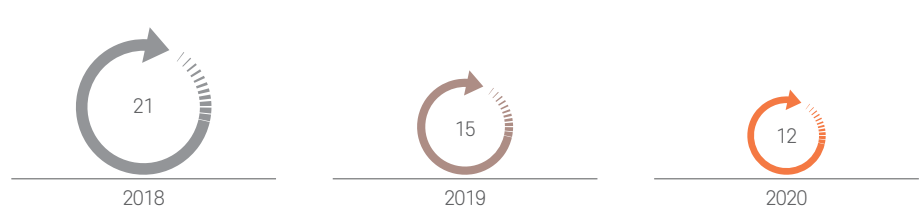
Total Educational Expenses (KRW 1,000)



Training Expense per Employee (KRW 1,000)



Training Time per Employee (Hour)



Promote work process innovation through digital transformation

In 2018, Lotte Chilsung Beverage initiated the digital transformation based on the arrival of the Fourth Industrial Revolution. For starters, digital transformation focused on innovating the workflow and process in the production, supply chain management (SCM) and sales division. 'DT Promotion Team' was established on January 1, 2020 to establish the digital system as the first stage, and integrated information system was established to enable the systematic information flow. In the second stage, phased promotion method was provided for the plan to become the digital leader by realizing innovation in productivity, systematization of SCM and Smart sales, etc.

In the same vein, the production division established the system that enables the data related to operation from the production equipment in remote places to be transmitted to the central service area, and also provides monitoring on the equipment operating status and production flow based on the transmitted data. This system is implemented in Anseong Plant for operation. In the SCM and production division, S&OP system was introduced for automation and centralization of the workflow and process from demand forecast, inventory operation to production plan. This enables the demand plan to be prepared based on the demand forecast, while integrated inventory management is achieved with this system. In the sales division, 'SFA', the existing mobile work support system for the sales staff was upgraded to 2.0, and the system now provides a customized application that is optimized for each user such as sales, delivery, logistics, new distribution and partner, etc.

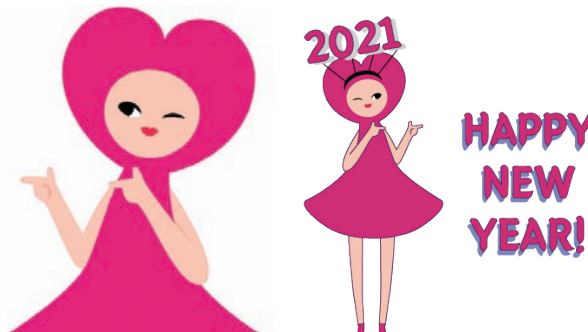


Establishment of AI sales advisor, Charlotte

Lotte Chilsung Beverage implemented the AI sales advisor 'Charlotte' in the SFA system, and Big Data analysis is performed on the sales operations such as sales performance, promotion, status and weather condition, etc. to transmit the guide message on the sales activities. Along with simple performance status, analysis data through Big Data such as product recommendation and outstanding balances for each account, etc. are provided through a text message every day, and the sales force working in the field can receive coaching in real-time on the sales activities. Lotte Chilsung Beverage is planning to continue analyzing the consumer needs based on Big Data to reflect the analysis result in marketing to improve customer value, and the effects will be analyzed in detail to also promote the digital transformation of the liquor business.

CHARLOTTE

Stylish and unique Life Stylist creating your lifestyle through outstanding expertise. Charlotte is introduced





Safety Control

Occupational Safety & Health Management System

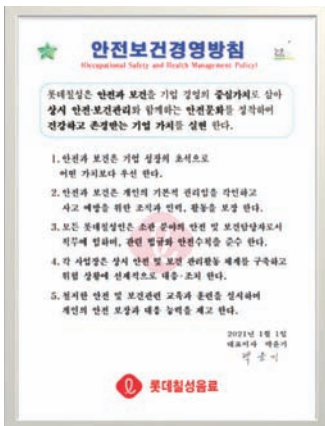
Lotte Chilsung Beverage has established the occupational safety and health policy that is stricter than the occupational safety and health requirements defined by the law, and the policy is operated company-wide. Top propriety safety management policies are performed systematically based on PDCA (Plan-Do-Check-Action) cycle, and the occupational safety and health management system is operated to be aligned with the PSM (Process Safety Management) for ongoing improvement. Our Occupational Safety & Health Management System will be utilized in earnest at the head office and each worksite for performing preventive measures & safety activities, reducing disasters, and accident management of our partners.

Occupational Safety & Health Policy

Lotte Chilsung Beverage strives for improvement to standardize the safety culture and pursue the health and respectful corporate value by focusing the values of corporate management on safety and health. As the safety accidents at the worksites can have a direct impact on many people, ongoing efforts are put on active and preemptive occupational safety and health management focused on prevention. Moreover, occupational safety and health policies and principles are established to improve employee awareness on the importance of occupational safety and health, and executive management ability is also reinforced. The 'Occupational Safety & Health' describes in more detail the occupational safety and health policies and principles of Lotte Chilsung Beverage on our official website.

Occupational Safety & Health Governance

In order to spread the basis of corporate growth, Lotte Chilsung Beverage selected preventive measures, safety activities, reduction of disasters and accident management as the execution tasks of ongoing efforts. The Occupational Safety & Health Committee is operated at each worksite, and the committee provides an opportunity for communication between labor and management every quarter to make decisions on significant occupational safety and health issues under the Occupational Safety and Health Act. Moreover, the Occupational Safety & Health Act is observed, and Disaster (Accident) Countermeasure Headquarter (Team) is operated for each worksite to safely and quickly settle the accidents and minimize the damage.



Classification	Authorities & Responsibilities
CEO	<ul style="list-style-type: none"> • Command/Supervision on the company-wide disaster and safety control • Establishment, management and supervision on the guideline regarding occupational safety & health management • Installation/Operation of the disaster countermeasure headquarter in preparation of disasters
Occupational Safety & Health Director	<ul style="list-style-type: none"> • Command/Control of occupational safety & health within the control area • Establishment/ Implementation of the autonomous/self-initiated preventive activity for disasters at each business site • Establishment/Implementation of the plan on occupational safety & health → Management/Supervision on implementation (including education and training) • Installation/Operation of the disaster countermeasure team in preparation of disasters • Perform investigation on accident and disaster damage, and establish/implement action plan
Management Supervisor	<ul style="list-style-type: none"> • Responsibility of safety on the facilities and employees within the control area • Actions required for guidance and training of the relevant personnel • Safety/Health inspection on the machinery, instrument or equipment related to the control area or work • Allocation of special control area on each worker, and inspection/supervision on the management
Occupational Safety (health) Manager	<ul style="list-style-type: none"> • Assist the occupational safety & health director on the technical matters regarding occupational safety (health) • Performance of work reviewed and decided by the occupational safety & health committee, and work set by the occupational safety & health regulation at the relevant business site • Perform daily or periodic patrol activity on the control activity → Measures for preventing accidents
Site Safety Control Manager	<ul style="list-style-type: none"> • Safety management/control on the specific control area allocated by the management supervisor • Immediate discontinuance of work and instruction for improvements when discovering unsafe factors

Occupational Safety & Health Management Objective

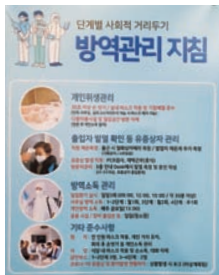
Safety Control for Foundation of Corporate Growth
Preventive Measure
Disaster Safety Plan
Safety Activities
Field-oriented Responsible Safety Control
Accident Management for Reduction of Disasters
Accident Management for Prevention of Recurrence

Evaluation on Safety Control in the Business Site

Classification	Authorities & Responsibilities
Person providing labor	<ul style="list-style-type: none"> Comply with safety rules on all business activities Warn when discovering risk factors to report immediately to the manager Execute justifiable instructions from the safety manager on safety or management supervisor on the work Periodic verification/measures as the person responsible for safety in the relevant work
Emergency Planning Team Leader	<ul style="list-style-type: none"> Establish plan on the disaster prevention throughout the company such as occupational safety and health management and firefighting, etc. Guidance/Supervision on the safety control activities in each business site Budgeting and supervision of execution on the protective gears related to firefighting and occupational safety, etc. Consider the situation on occurrence of disasters to suggest the installation of disaster countermeasure headquarter, and perform the role as the general coordination controller Perform periodic/non-periodic safety inspection and evaluation on all worksites Request/Instruct safety measures on the occupational safety & health director in the business site Collect various safety control data and provide for utilization in the field

In 2020, Lotte Chilsung Beverage performed worksite safety control evaluation on 9 fields including firefighting, occupational safety, chemicals and electricity, etc. for 17 worksites such as manufacturing plants for beverages, liquor and drinking water, etc. Moreover, beverage sales sites (57 sites), directly-managed liquor stores (3 sites) and sites with poor evaluation (7 sites) were visited for re-inspection and guidance. The evaluation result showed that 90% of the worksites were maintaining an outstanding level. Lotte Chilsung Beverage plans to increase the level of our annual safety control goals to improve our management capabilities of both our worksites and human resources.

Response to COVID-19



Head Office Banner, Infrared Thermometer

To overcome the COVID-19 pandemic crisis, efficient and powerful response strategy was established, and emergency response headquarter was operated as the permanent organization with the CEO as the head of headquarter to enable quick and systematic response and realize the response strategies.

Also, Lotte Chilsung Beverage is performing preemptive measures to eliminate any inflow and spread of COVID-19 in the workplace. Along with fever check on everyone having access and complying with the personal quarantine rules such as wearing masks at all times, etc., quarantine is performed periodically throughout the workplace. Moreover, partitions are installed in the cafeteria, and telecommuting is expanded for following strict social distance in life to create a safe workplace. Lotte Chilsung Beverage will continue the efforts to fulfill the social responsibility in order to overcome the COVID-19 crisis through response strategies and taking the initiative by the employees, and to support safety and health activities that are required by the community.

Achieve Zero-Hazard through Strict Safety Control

Based on the philosophy of 'Stabilizing the Corporate Culture of Respect for Human', Lotte Chilsung Beverage recognizes occupational safety and health environment as the core value of the company to continue efforts for the safety and health of the employees. To implement this philosophy, Occupational Safety & Health Committee is reviewing and deciding with the labor-management on the matters regarding occupational safety and health. Moreover, management and labor are cooperating closely to secure the safety (prevention of occupational disasters) and health of our employees, and ongoing efforts are made to create a safe working environment through efficient annual occupational safety and health investment and management to protect health and prevent disasters. Especially, zero-hazard movement was initiated for each plant to guarantee the occupational safety at the production site, and since Bupyeong Plant achieved the zero-hazard goal for 600 days, Gwangju Plant achieved zero-hazard for 2,120 days.

Status of Accident Rate	Numbers of Occurrence of Accidents	2018		2019		2020			
		Count	Rate (%)	Count	Rate (%)	Count	Rate (%)		
	2018	24	0.39	2019	27	0.44	2020	14	0.24

Win-Win & Social Contribution for Shared Growth



End of Poverty



Solve Hunger Issues



Good Jobs & Economic Growth



Sustainable City & Community



Significance of the Issue



In 2020, people practiced high-intensity social distancing for a prolonged period to prevent COVID-19, and everyone is enduring hard times. Businesses are getting more difficult due to the ensuing economic contraction, and some people are more vulnerable to this disaster such as the small business owners and lower class being threatened of living, etc. Lotte Chilsung Beverage will support the people enduring from hardships to overcome the disaster together by providing various win-win programs.

Approach Method



- Win-win cooperation for development with the community
- Promote CSV instead simple volunteer activities
- Practice social contribution activities connected to the business
- Realize sustainable community

Main Performance



- Perform local purpose for shared growth
- Reinforce support on partners regarding training/finance, etc.
- Execute support 'Water Love' support project
- Social contribution activity practicing social responsibilities



Sustainable Purchase

Perform local purchase for shared growth

When launched the wine brand <Majuang>, Lotte Chilsung Beverage contracted with local farms for the ingredients to purchase the grapes, and cooperative relationship with the local farms was established for over 40 years. Also, special agreement was made with Jeju Special Self-Governing Province to increase the purchase amount of mandarin orange from the Jeju mandarin orange farms. Currently, over 15,000 tons are being purchased annually. The mandarin orange purchased from Jeju are used on the products such as <Jeju Mandarin Orange> and <Sac Sac Jeju Mandarin Orange>, etc. Lotte Chilsung Beverage also uses concentrate manufactured with the plum from the area near Jirisan Mountain on <Del Monte Plum> products. Through these localized purchases, local farmers can increase their income from outstanding home-grown specialties, and Lotte Chilsung Beverage realizes the value of our win-win relationships by providing the consumers with fresh juices made from high-quality seasonal fruits.

Reinforce support to partners

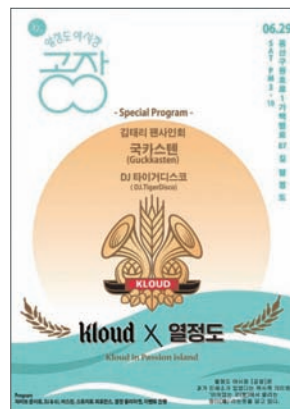
Moreover, various customized educational opportunities are provided such as online education, etc. to reinforce the competitiveness of the partners. Efforts are given on providing the training and welfare benefits of Lotte Chilsung Beverage to the partners such as production management, accounting, legal affairs and management for creating competitive advantage, and even humanities and foreign language. Lotte Chilsung Beverage also established the 'Special Win-Win Cooperation Fund' for financial support to enable the partners to have appropriate financing.

Education Support

Classification	Year	Educational Course	Frequency	No. of People
Partner Education Support	2018	Performance, Leadership	3 times	171
	2019	Management, etc.	2 times	86
	2020	Humanities, etc.	2 times	76
	2021	Production Management	10 times	7

※ Education in 2nd semester of 2021 not included

Win-win CSV Activity with the Community



Poster image on the 'Kloud Street'

Lotte Chilsung Beverage promoted the CSV (Creating Shared Value) program to perform volunteer activities for creating business opportunities with our community and to establish a win-win structure between us and our community. Especially in 2019, 'Kloud Street' was developed in 'Yeoljeongdo (Passion Island)' behind Namyeong Station in Yongsan-gu, Seoul, and a win-win project was initiated with young entrepreneurs performing business in this Street. This project was a collaborative program activate the street through various events and contents provided by <Kloud>, and increase the sales of <Kloud> beer. On the first day of opening the Kloud Street on June 29, Kim Tae-ri, advertisement model of <Kloud> visited the street to wish for success of the project.

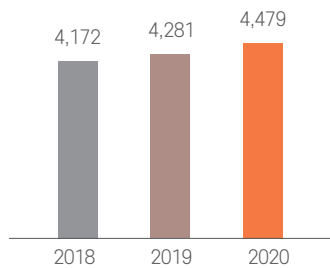


Reinforcement of Community Participation

'Water Love' Support Project for Awareness on the Preciousness of 'Water'



Awarded from the Minister of Health & Welfare on the Hope Sharing Division



Practice on Considering the Socially Vulnerable Class

Lotte Chilsung Beverage has initiated social contribution activities aligned with the characteristics of our business. Main social contribution programs include 'Educational Project on Love for Water on Children' and 'Sharing the Water of Life' for children living in countries dealing with a lack of potable water, etc., and various activities were initiated based on water as a precious resource. As part of this activity, an agreement was made with International Children's Relief Fund of Korean Committee for UNICEF, and the 'Clean Water For Children' campaign was launched.

The fund-raiser drive was held through the <Chum-Churum> website, and the collected funds were donated to the Child Fund Korea for use in installing wells & water pumps and providing drinking water & hygiene education for the countries suffering from clean water shortage.

The Charlotte Volunteer Group also selected 'water' as the main theme for various volunteer activities, and the group is undertaking various activities since 1980 such as the 'One River for Each Plant Project', 'Throwing EM Mud Balls' and 'Coastal Purification Activity', etc. The 'One River for Each Plant Project' is an environmental purification activity undertaken by each plant responsible for 6 rivers nearby, and the EM (Effective Microorganism) Mud Ball Toss event that began from 2018 is held at least 2 times a year on 17 rivers near plants and branches nationwide. In 2019, we participated in the environmental campaign for Jindo Gagye Beach on the '19th International Coastal Purification Day' to perform coastal purification activities and raise awareness of improving the marine ecosystem.

■ Status of Social Contribution Cost

Classification (KRW 1 million)	2018	2019	2020
Social Welfare	3,271	2,506	3,075
Medical Health	33	11	54
Education, School & Academic Research	174	308	215
Culture & Art, Sports	687	1,235	1,120
Environment	7	221	14
Total	4,172	4,281	4,479

The global environment protection activities of Lotte Chilsung Beverage used to be mainly focused on showing the value of pure and clean environment through the TV advertisement campaigns of <Chilsung Cider>, but the campaign was recently expanded to various environmental projects launched to clean up the global environment on behalf of the next generation. Especially, a partnership was agreed with Korea National Park Service for the protection of the ecosystem and biological diversity, and the environmental purification campaign to protect national parks, water quality protection campaign, ticket campaign in the national park, and project to preserve endangered species, etc. were all launched in earnest. Moreover, the 'Eco-tourism Voucher Program Sponsor Agreement' was signed with the Ministry of Environment and Korea National Park Service, while providing the eco-tourism service on the national park to socially vulnerable segments (disabled, multi-cultural family, social welfare facilities and low-income elders of age 65 or more, etc.).

Sharing Activities to Fulfill the Social Responsibility

Lotte Chilsung Beverage is also focusing the interests in the sharing activities to help the vulnerable social group suffering from neglect or hardships. In the past, donations were provided according to a specific purpose to sponsor patients with rare and incurable disease and child head of the household, etc., but recently, the scope of our volunteerism have diversified into direct participation in sharing activities.

Especially in 2020, our social contribution program was executed with private-public cooperation on the occasion of our own 70th anniversary and that of the Korean War. A special edition Chilsung Cider Strong product was launched by featuring the images of Korean War heroes to honor the heroic Korean War veterans. Also, 15% of the sales profits were donated to memorial projects and provision of drinking water for the families of patriots and veterans in order to promote a culture of patriotism and honoring veterans, etc.

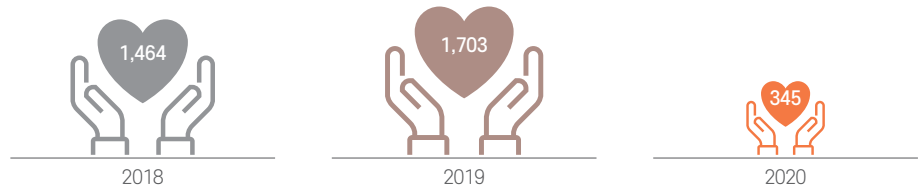
Lotte Chilsung Beverage established a dedicated group for performing social contribution activities from 2017, and systematic and diverse social contribution programs are currently executed along with the corporate strategy based on the ESG team in the ESG division.



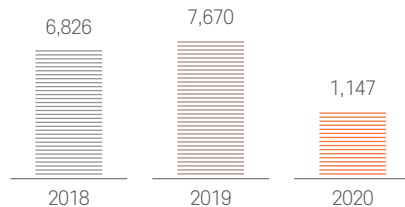
The project to celebrate the 70th anniversary of the Korean War

■ Status of Volunteer Activities by the Employees

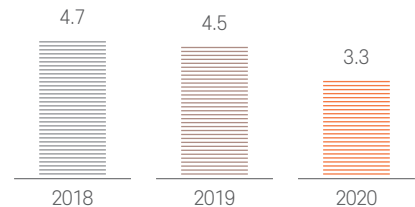
Annual No. of People (EA)



Total work time



Work time per employee



**Non-face-to-face
Volunteer Activity by
the Employees in the
COVID-19 era**

Due to COVID-19, Lotte Chilsung Beverage performed various non-face-to-face volunteer activities in partnership with social enterprises. Lotte Chilsung Beverage undertook various non-face-to-face volunteer activities such as making eco-friendly soap with social enterprise 'Donggubat', making braille touch book kit with 'Damsimpo', and creating eco-bag through upcycling of waste banners with 'Touch for Good' to be donated to libraries in Seoul.



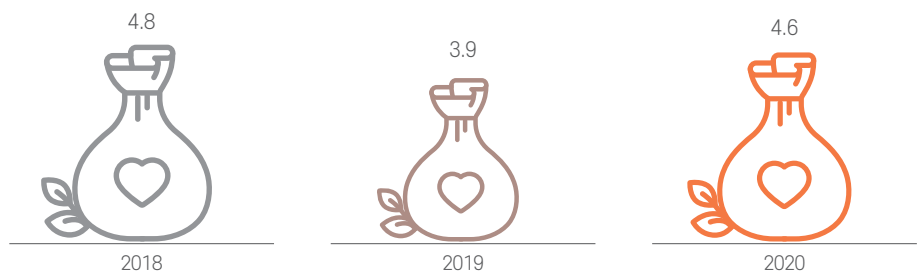
Non-face-to-face Volunteer Activity in Response to COVID-19

**Green Ribbon Campaign
and 'Sustainable
Community'**

In 2020, Lotte Chilsung Beverage cooperated with National Center for Rights of the Child, Missing Child Center to perform the 'Green Ribbon Campaign' on finding missing children. Green Ribbon Campaign is attaching magnet panel indicated with the personal information of missing children on 50 stores and 225 business vehicles of Lotte Chilsung Beverage nationwide to help missing children to return to their loving family.

Along with company-wide CSR activity, Lotte Chilsung Beverage is also performing sharing activities to the socially neglected class on each community near each plant. Elders living alone or welfare foundations near the plant are visited to deliver care package and perform volunteer activities directly, and Charlotte Volunteer Group organized for each plant are providing donations and performing various ongoing activities throughout the year such as environmental purification activities on the river and streets, volunteer activities in welfare facilities, exchanging facilities and helping the work at village halls, and sharing Kimchi-making for the winter. This is contributing greatly to increasing the communication and sense of solidarity between Lotte Chilsung Beverage and our community.

Donation Ratio Compared to Operating Profit



ESG Management

Healthy Ecosystem Environment
Is Created with Pure & Clean Products.

Board of Directors & Governance

Ethical Management

Risk Management





LOTTE
CHILSUNG BEVERAGE





Board of Directors & Governance

Board of Directors Composition & Operation Principles

Reinforcement of independence and transparency in the composition of Board of Directors based on non-executive directors

To reinforce the independence and transparency of the Board of Directors, Lotte Chilsung Beverage organized the ratio of non-executive directors in the Board of Directors to be a majority, and the Board of Directors are operated based on non-executive directors. Accordingly, the portion of non-executive directors is high even when the CEO and the Chairperson of the Board of Directors are not separated, so independent decision-making is possible. Also, non-executive directors verified for their independence are appointed through the Non-Executive Director Candidate Recommendation Committee, so that the transparency is improved to enable the Board of Directors to supervise the management and ensure proper cross checks and balances. Resolutions of the Board of Directors are reviewed and voted according to the Articles of Association and Regulation of the Board of Directors, and directors with special interest or other possibility of conflict of interest under the regulation are restricted from exercising the voting right.

Meanwhile, the Board of Directors performs review on the Transaction between the director, etc. and the company defined by the Commercial Code, and Large-scale internal transaction and Transaction with the person with special relationship defined in the Fair Trade Act, etc. to minimize the influence of individual directors according to their personal interest and allow transparency and fairness in conducting internal transactions between subsidiaries.

<As of Sep. 30, 2021>

Board of Directors (BOD) & Committees	Composition	Names of Affiliated Directors
Board of Directors	4 Executive Directors, 5 Non-executive Directors	Park Yun-gie (Chairperson of BOD), Lee Dong-jin, Lim Joon-beom, Song Hyo-jin, Baek Won-seon, Han Bo-hyeong, Moon Jeong-hoon, Lim Gyeong-gu, Cho Hyun-wook
Audit Committee	5 Non-Executive Directors	Baek Won-seon, Han Bo-hyeong, Moon Jeong-hoon, Lim Gyeong-ju, Cho Hyun-wook
ESG Committee	5 Non-Executive Directors	Baek Won-seon, Han Bo-hyeong, Moon Jeong-hoon, Lim Gyeong-ju, Cho Hyun-wook
Remuneration Committee	5 Non-Executive Directors	Baek Won-seon, Han Bo-hyeong, Moon Jeong-hoon, Lim Gyeong-ju, Cho Hyun-wook
Non-executive Director Candidate Recommendation Committee	5 Non-Executive Directors	Baek Won-seon, Han Bo-hyeong, Moon Jeong-hoon, Lim Gyeong-ju, Cho Hyun-wook
Related Party Transaction Committee	1 Executive Director, 5 Non-executive Directors	Park Yun-gie Baek Won-seon, Han Bo-hyeong, Moon Jeong-hoon, Lim Gyeong-ju, Cho Hyun-wook
Management Committee	4 Executive Directors	Park Yun-gie, Lee Dong-jin, Lim Joon-beom, Song Hyo-jin

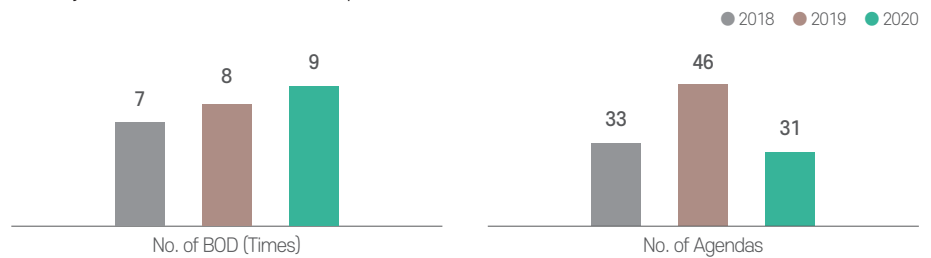
Reinforcement of the professionalism of the Board of Directors (BOD) through the appointment of non-executive directors from various backgrounds

In the rapidly changing business environment, strategic decision by the Board of Directors is continuously required, and the professionalism and diversity of each director are required. The top experts of the businesses of Lotte Chilsung Beverage are in general management of the business and also participate in the Board of Directors, and among them the position as the CEO is selected to realize the responsibility of management. To represent various stakeholders and prevent the directors from being overly focused in a specific field, the Board of Directors is composed of non-executive directors with experiences in various professional fields such as accounting, tax, food, law, science, and engineering, etc.

The non-executive directors participate in the Board of Directors from various perspectives based on each of their professional expertise to objectively supervise and provide advice on management. Especially in the Audit Committee, one director specialized in accounting and finance is appointed as the representative Audit Committee member, and the director concerned has the expertise to perform in earnest the role of oversight as to the accounting and business of the company.

Operation of the Board of Directors (BOD)

Board of Directors of Lotte Chilsung Beverage are composed of directors that were appointed from the General Meeting of Shareholders, and there are currently 4 executive directors and 5 non-executive directors participated in BOD. The candidate for the executive director is recommended among those appropriate for the Board of Directors, and the non-executive director is recommended of the candidate through the separate resolution process by the non-executive director candidate recommendation committee. The relevant information is provided faithfully to the shareholders through the reference data disclosed before the General Meeting of Shareholders and through the Notice of Convening the General Meeting of Shareholders, and the approval is made by the shareholders on the day of the General Meeting of Shareholders. In 2020, total of 9 BOD sessions were held to vote and report on total of 31 agendas such as approval on the transaction between the directors and the company, and report on the major business activities for each quarter, etc.



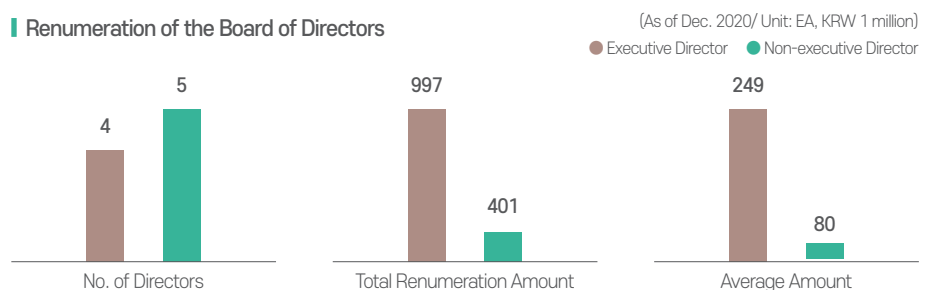
* As of yearly report

Board of Directors Performance Evaluation and Remuneration

Lotte Chilsung Beverage performs independent annual evaluations on the directors subject to a term expiry, and on all current non-executive directors. Evaluation is reflected with the contribution level to the BOD, internal and external influence and expertise of work position, and this is utilized for the decision of reappointment. Remuneration of the directors is transparently and fairly managed as to the remuneration limit and individual remuneration amount, etc. of the director through the Remuneration Committee. The remuneration limit of the director is passed through the resolution process of the Remuneration Committee to be approved during the General Meeting of Shareholders, and the individual remuneration amount is determined by reflecting the main values such as business performance, contribution to sustainability management and compliance management, etc. The remuneration of the non-executive director provided equally to all non-executives within the remuneration limit of the director approved during the General Meeting of Shareholders. However, for the Audit Committee members, the liabilities, time, and efforts are considered on the Audit Committee member to provide the work performance compensation set separately by the Remuneration Committee.

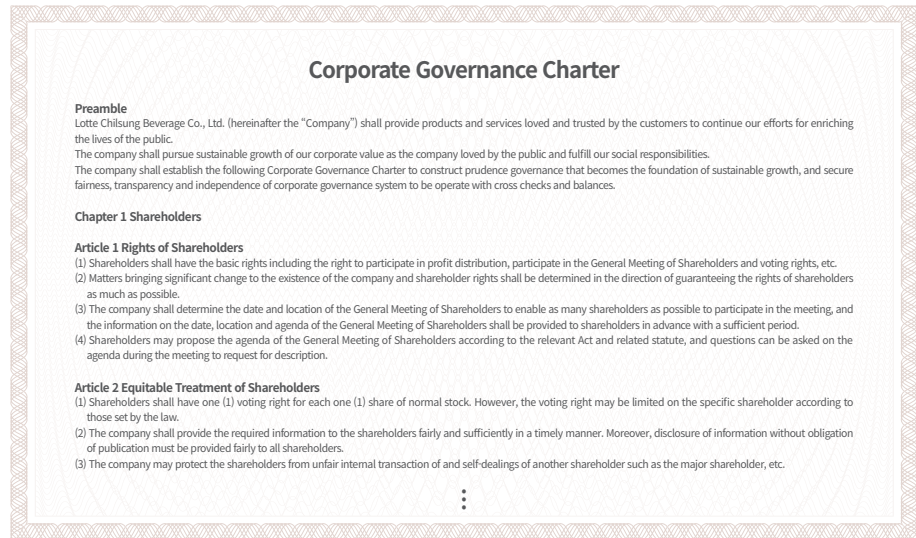
In 2020, the director remuneration limit approved at the General Meeting of Shareholders was set at KRW 4.5 billion, and the total amount of director remuneration provided was set at KRW 1.398 billion. Individual remuneration of the director and auditor exceeding KRW 500 million is disclosed in the business report according to the relevant Act and subordinate statutes.

Remuneration of the Board of Directors



Introduction of the Corporate Governance Charter

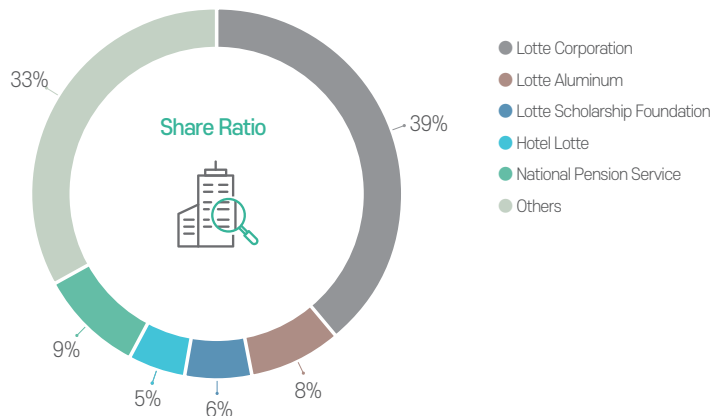
In 2021, Lotte Chilsung Beverage established the Corporate Governance Charter to clearly indicate our commitment to ensuring transparent governance, and this is disclosed through our official website. Lotte Chilsung Beverage provides the standard of independence, transparency, professionalism and diversity of the Board of Directors through the Corporate Governance Charter, Articles of Association and Regulations of the BOD and Committee, etc.



Transparent Disclosure

Lotte Chilsung Beverage strives to provide the accurate information to our shareholders and stakeholders of the market in a timely manner on the overall management of the company. To protect the proper exercise of the rights by the shareholders during the General Meeting of Shareholders, sufficient information is included to notify the convening of the meeting in an appropriate period considering the period prescribed in the law. Moreover, the details are immediately disclosed to the market if any decisions by the Board of Directors regarding major management matters are made or a fact that can have significant impact to the investment decision is occurred. To correspond to the recent ESG requirements of the financial market, Lotte Chilsung Beverage shall continue clear communication to proactively inform the market on our sustainability of global environment, society, and community and protecting the rights and benefits of our investors.

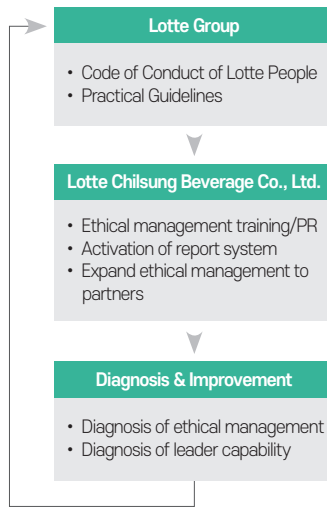
As of end of 2020, Lotte Corporation holds 39.26% of the shares, along with Lotte Aluminum with 7.90%, Lotte Scholarship Foundation with 5.59%, Hotel Lotte with 5.28%, and National Pension Service with 8.72%.





Ethical Management

Ethical Management System



Lotte Chilsung Beverage established the Code of Conduct to enable our members to make proper economic, legal, and ethical decisions and actions, and the Code of Conduct is observed together with the applicable laws and company rules concerned in the process of performing work. Moreover, various business partners such as the vendors, etc. are following the standard on the level similar to our Code of Conduct, and compliance of this standard is a factor that the company considers as top priority when determining the business with the organization concerned. Accordingly, the ethical management promotion system and management system are established to facilitate ethical management to be standardized as the corporate culture of the company, and basic procedures and standards are also provided for compliance by employees in performing the work. Based on this strong ethical management system, unfair work processing and unethical matters shall be prevented in advance, and matters requiring improvement shall be identified and managed to standardize ethical management as our corporate culture.

Code of Conduct of Ethical Management

Chapter 1 Customers

- 1-1 Customers are our reason for being. We shall make decisions and create value from our customers' perspective and prioritize customer service.
- 1-2 We shall be honest with our customers, respect our customers' opinions, and keep our promises made to customers.
- 1-3 We shall not use customers' personal information for any unauthorized purpose.

Chapter 2 Shareholders

- 2-1 As Lotte's employees we shall do their best to enhance the market value of the Company's stock through operations focusing on creativity, innovation, and sincerity.
- 2-2 We shall observe the law, uphold our principles, and maintain transparency in business operations.
- 2-3 We shall listen to the justified opinions of minority shareholders.

Chapter 3 Directors/Employees

- 3-1 As Lotte employees we shall observe the law and social norms and behave rightly in accordance with high ethical values. We shall strive to uphold the Company's reputation, maintain our dignity as members of society, and be respected and trusted by those with whom we do business.
- 3-2 We shall take initiative in taking on challenges and seek innovation with a firm sense of mission, and shall strive to contribute to the Company in earnest and creatively through mutual cooperation and cohesion.
- 3-3 We shall expect to be treated fairly purely based on our abilities and performance results regardless of regional factions, alumni affinity, or gender.
- 3-4 We shall not use the Company's property for personal purposes or disclose Company secrets that we have come to know while carrying out Company business with others. We shall not offer money or articles of value in return for illicit returns or favors, borrow/lend money from/to others, or provide joint assurance. We shall refrain from impolite speech, behavior, and sexual harassment, and shall strive to create a bright and cooperative workplace atmosphere.
- 3-5 Directors shall play a leading role in coping with crises and directing opportunities for the Company, and shall always set an example for others to follow in carrying out activities in accordance with international standards.
- 3-6 The Company shall respect employees as individuals and strive to enhance the quality of their lives.

Chapter 4 Subcontractors




- 4-1 We shall give subcontractors an equal opportunity and strive to achieve a win-win benefit through transparent transactions with good products and prices.
- 4-2 We shall not make unreasonable requests to subcontractors or receive money/ valuables/ entertainment using our advantageous position. We shall recommend that subcontractors follow our ethics code by explaining the purpose and spirit to them.

Chapter 5 Society and Country

- 5-1 We shall respect values traditionally kept by our country and society, observe laws, engage in prudent business activities, create wealth for society, and strive to improve the quality of people's lives.
- 5-2 Lotte shall not become involved in politics.
- 5-3 We shall strive to protect the environment and resources through the development and sale of environmentally-friendly goods, use of recycled waste, and conservation.
- 5-4 We shall strive for the safety of the local community, customers, and employees. We shall do our best to prevent accidents through education and training.

Operation of Report Channel on Ethical Management

Report Method

	E-mail Ethical Hot Line jebo@lotte.net
	Contact 82-2-3479-0798
	Location Lotte Chilsung Beverage, 3rd Fl., Lotte Castle Gold, 269 Olympic-ro, Songpa-gu, Seoul, Korea To Management Improvement Team Sinnungo Personnel

Lotte Chilsung Beverage operates our online website ‘Sinnungo’ and group ‘Sinnungo’ that are the window of reporting to listen to the opinions of employees and relevant personnel of our partners regarding unfair work processes, unethical matters and other matters requiring improvement, etc. Reports are performed with investigation according to the handling procedure, and when the investigation result verifies illegal acts, follow-up measures shall be taken to prevent a recurrence such as disciplinary actions, process improvement and ethical management training, etc. To protect a whistleblower from receiving any disadvantages, that person’s identity and reported details shall be kept strictly confidential to protect the information concerned. Along with the whistleblower, those cooperating by providing statements, data and other methods shall also be equally protected, and violation of whistleblower protection shall be met with necessary measures such as disciplinary action according to the mandatory provision on whistleblower confidentiality in Article 14 in the Whistleblower Regulation. When the report on the violations is related to the whistleblower, he or she may be reduced or exempt from any disciplinary action.

Compliance Management

Lotte Chilsung Beverage organized the compliance team in the compliance management division directly affiliated to the CEO to establish the compliance system, and the overall business activities are managed with compliance risks. The mid-to-long term compliance vision was established to evolve into the compliance system that observes the global standard. Also, the action plan is implemented to develop the standard model for spreading the compliance management culture to our subsidiaries, and to establish the compliance management culture trusted by our stakeholders. Through the compliance system, Lotte Chilsung Beverage revised various internal regulations such as the Compliance Management Charter, Compliance Management Regulations and provisions related to the anti-corruption and fair trade field, etc. to perform periodic training through online and offline training, etc. Post-audit and renewal audit are planned annually to maintain the Anti-bribery Management System (ISO 37001) Certification that was acquired in 2019. Moreover, global compliance system model will be developed by investigating the status and performing comparative analysis with the global standard to expand the compliance system to other domestic subsidiaries and overseas worksites.

Compliance System

Audit and Prevention of Recurrence	<ul style="list-style-type: none"> • Code of Conduct of Lotte People • Practical Guidelines
Maintenance of Internal Regulation	<ul style="list-style-type: none"> • Establishment and Official Announce of Compliance Management Charter & Regulations • Establish various regulations related to anti-corruption and fair trade • Manage handbook and checklist that can be utilized and referred by the employees in the site
Installation & Operation of Exclusive Group	<ul style="list-style-type: none"> • Install and operate compliance team within the compliance management division directly affiliated to the CEO
Internal Report, Monitoring & Risk Detection	<ul style="list-style-type: none"> • Operate Whistleblower Channel • Detection, explanation and handling through the computer monitoring system
Periodic Training & Frequent Consultation	<ul style="list-style-type: none"> • Perform online & offline training • Frequent legal compliance advice
Internal Accounting Control	<ul style="list-style-type: none"> • Operate valid internal accounting management system

Compliance Program

Group training is performed on compliance for each work, topic and worksite to confirm that the law-abiding consciousness of the employees is on improvement, and online training is also provided to all employees. Moreover, Compliance Newsletter is published and posted company-wide through the Intranet. Advice related to compliance with the law such as fair trade and anti-corruption is expanded to respond quickly to the rapidly changing domestic and overseas laws, and as the legal and social regulations and laws are being reinforced, main contracts are required to include the standard anti-corruption provision. Lotte Chilsung Beverage is reinforcing the response on the domestic and foreign external evaluation index to continue our efforts for observing the global standards and answering in earnest the corporate demand on social responsibilities.

Internalization of the Compliance Culture

Lotte Chilsung Beverage has provided ethical management training through various methods such as online and group training, etc. to internalize ethical management to our employees. Customized contents are provided for each class and topic to secure the effectiveness of the training, and necessity of practicing ethical management and method of using the Sinmungo website for reporting, etc. are included as mandatory training topics. Through this, the importance of ethical management is promoted, and the ethical mindset of employees has been created to reinforce corporate ethics. To improve the compliance, enhance the consciousness of ethical management, and prevent risks, the training is provided to managers of all departments from 2018 to expand the range of employees subject to annual training, and group training on ethical compliance was performed in 2020 for all employees. Moreover, intensive training was performed from 2019 for departments related to compliance, and Lotte Chilsung Beverage is striving to internalize the compliance culture to all our employees.

■ Status of Compliance (Fair Trade & Anti-Corruption) Training

Classification	Unit	2018	2019	2020
Training on all employees	No. of training courses	EA	1	1
	Total Training Hours	Hour	2	2
	No./ Target completing the training	EA(%)	637/ 653(98%)	3,513/ 3,551(99%)
Intensive training on departments related to compliance	No. of training courses	EA	-	2
	Total Training Hours	Hour	-	2
	No./ Target completing the training	EA(%)	-	1,045/ 1,045(100%)

Autonomous Compliance Program on Fair Trade

In 2006, Lotte Chilsung Beverage has introduced the Compliance Program (CP) for self-initiated compliance of the laws related to fair trade, and efforts are given on preventing unfair trade and establishing fair trade culture. CP is the compliance system and behavior rules that are established and operated internally for self-initiated compliance of the laws related to fair trade.

Lotte Chilsung Beverage is operating the CP systematically and efficiently with the compliance personnel of each division cooperating with the compliance management team that takes on the role as the general department on all affairs related to fair trade. Handbook on fair trade is prepared and distributed to enable employees to utilize as the work manual, and periodic training is provided to the working department on the revisions of the relevant laws, etc. Main departments are performed with in-house diagnosis, and the overall business such as new businesses, sales and purchase, etc. are performed with pre-review by the in-house fair trade expert to be equipped with the internal system to prevent in advance and inspect the possibility of violating the law.

Autonomous Compliance Guideline on Fair Trade for Partners

When signing the agreement with a new partner, the contract must include the mandatory anti-corruption compliance provision, and separate code of conduct for our partners translated in major languages for each corporation is established to take the initiative in spreading the ethical consciousness within the supply chain. To enhance the awareness on the ethical management on both our employees and workforce of partners, training materials on ethics are provided to them.



Risk Management

Risk Management System

Lotte Chilsung Beverage is defining and managing the market uncertainties, internal and external risks and opportunities as the risks that can have a significant impact on our business activities. Especially, risks are classified into financial continuity of business & management, and major risks were defined by considering the impact and likelihood of risk. In addition, preventive system is constantly maintained to identify the cause of major risks occurring to allow for a preemptive response.

Risk Management Organization

Lotte Chilsung Beverage organized the risk management group to identify the risk factors and their impact attributed to the company in the overall stages of performing the business, and management and response strategies are established. In addition, our ESG management was officially declared with labor-management in August 2021 based on the keen interest of management on risk management, and the ESG division was newly established to identify the ESG risk factors for mitigation. Our risk management system has been geared to addressing enterprise environmental, social and governance issues through effective role sharing among departments. Lotte Chilsung Beverage is planning to newly establish the ESG Committee under the Board of Directors to develop the process in responding to company-wide risks by each committee, and the risks will be systematically handled by applying the supplemented method for management and operation.

Internal Accounting Management System

Internal accounting management system is an accounting control system that is instated inside the company to secure the reliability of the accounting information compiled and disclosed in conformity with the corporate accounting standards and to prevent any errors and fraudulence in the financial statements.

Lotte Chilsung Beverage reports the operating status of the internal accounting management system for each fiscal year during the General Meeting of Shareholders, Board of Directors and Audit Committee according to Article, Paragraph 4 in the Act on External Audit of Corporation, etc. (hereinafter the 'External Audit Act'). Moreover, the Audit Committee members evaluate the operating status of the internal accounting management system according to Article 8, Paragraph 5 in the External Audit Act to report to the Board of Directors for each fiscal year. According to Article 8, Paragraph 7 in the External Audit Act, the external auditor performs the audit on the internal accounting management system to provide the audit opinion on the audit report.



Fields of Risk Management

Lotte Chilsung Beverage manages the risks by classifying them into either financial risk or risk factors that have impact on the business continuity and those that have impact on the general management of the company.

Category	Classification	Description
Financial Risk	Currency Risk	• Risk of financial loss due to exchange fluctuations
	Liquidity Risk	• Risk of financial loss due to unexpected deterioration of liquidity
	Interest Rate Risk	• Risk of financial loss with a change in interest rates
Business Continuity Risk	Supply Chain Risk	• Risk of delay in product delivery due to failure to appropriate the supply of raw materials and production continuity • Decline in reputation due to the lack of reinforcing and managing ESG capabilities of our partners including Scope 3
	Disaster & Safety Risk	• Casualties or financial loss occurring from disasters such as earthquake and fire, etc., or safety accidents in the workplace, etc.
	Climate Change Risk	• Failure to respond to customer needs due to not being able to reduce GHG emissions • Risk of increase in costs to achieve the reduction of emissions required by the industry
Business Continuity Risk	Environmental Risk	• Risk of legal sanctions, corrective actions, or fines due to inappropriate response to environmental regulations such as excessive GHG emission and harmful substances, etc. • Risk of damage to our corporate reputation due to non-conformity with environmental regulations
	Risk of change in industry	• Industrial risks occurred due to the change in industry such as possessing the technology for recycling and eco-friendly materials based on the growing increase in importance of eco-friendly consumption
Management Risk	General management risk	• Risk in operation due to the personnel or system error
	Ethical risk	• Decline company reputation due to acts of unfair business dealings and corruption
	Legal risk	• Risks that result in an unfavorable contract and litigation against the business • Risk of having various sanctions imposed due to legal violations
	Reputation risk	• Risk of damage to corporate image due to negative publicity and communication to the public
	Security risk	• Risk of information loss occurring due to external cyber-attacks or internal data leakage • Risk of diminished core competencies of the company from information leakage



Risk Management
Activities for Each Field

Sustainable Procurement Risk

Management is performed in alignment with sustainability in the overall process from selection to periodic monitoring and evaluation, etc. ESG related evaluation standard was reinforced such as quality, price, management performance, environment, safety, ethical management and human rights, etc., pledge of compliance was received on the code of conduct for our partners to spur self-initiated implementation.

Especially, support programs are recently operated such as the energy companion project, etc. with our partners to reinforce the capabilities of the energy sector related to response to climate change.

Safety/Health Risk

Periodic risk assessment is performed for managing the safety and health risks. IT-based chemical management system is operated, and responsiveness of our employees on the safety and health risks is increased through regular safety training, management of the emergency response training system, and practical training. Especially, the emergency response group for each worksite and process for each situation were verified as to their effectiveness through annual training for updated practices.

For fire, annual training is jointly performed with private and public sectors, and evacuation training is also performed to prepare for disasters. Also, risks of occurring with accidents were minimized by performing safety inspection led by the plant manager twice a year.

Environment Risk

Response is made to the environment risk through the environmental impact evaluation. The detailed management method of the estimated environment risks and R&R on risk occurrence, etc. were clearly established, and when renewing the ISO 14001 Certification, internal and external verifications are performed to correct any nonconforming items. Ongoing training is provided for each business on the risk of environmental accidents and preventive methods. Especially, risks are to be minimized through the training on response for each estimated scenario in detail, such as leakage from equipment failure, waste water spill, and leakage of toxic substances, etc.

Security risk

To protect all secrets related to the business, core technology, R&D information, customer information and personal information, etc., systematic information security management system was established for application. In responding to external infringement, ordinary or periodic security management is performed for the office spaces and process equipment areas through managerial/physical control. In addition, security vulnerabilities are inspected, simulation hacking and training on employees are performed periodically for real-time preparation of external security attack including hacking, and the security level and response capabilities are constantly increased. Information security training is performed on our employees at least once a year to enhance the awareness level of our employees.

4 Major Sectors of Information Security Management



Ethical Risk

Risks are to be prevented in advance through the activities for improving the awareness such as the will for reinforcing ethical management by the top management including our declaration on self-initiated internal compliance of fair trade and UNGC anti-corruption pledge, and through training, etc. The status of ethical management risk management is reported to the top management through the periodic Board of Directors' report on compliance matters. In addition, cooperation is made among the Audit/ HR/ Legal Affairs/ General Affairs to identify in advance those matters requiring improvement through internal inspection of ethical issues. In 2020, 82% of the global worksites were performed with internal audit and preliminary risk assessment related to ethical management.

COVID-19 Risk Management

Response and preventive activities were promoted throughout the company by close cooperation to overcome the COVID-19. Especially, efforts were devoted to minimizing the face-to-face contact by ceasing social gatherings, corporate outings, and domestic & overseas business trips as much as possible across the company. The plants were provided with operating guidelines to prevent meetings with external visitors, club meetings and events, and group training at the worksites as much as possible, etc. In addition, social distancing was practiced at the domestic and foreign worksites, and employees performed telecommuting. The company reorganized the internal process and system to support telecommuting by our employees. Fever checks were performed when entering and leaving the work premises, and in the event of anyone showing suspicious symptoms, this was reported immediately to the emergency planning team to put follow-up measures into practice. Strict preparations and procedures were followed to prevent the spread of infection.

Appendix

Information will be provided more accurately and quickly to the shareholders and investors.

Financial Performance

ESG Data Center

Third-Party Verification Statement

GRI Index

Awards & Certifications

Survey on Opinions by the Readers





Financial Performance

Statement of Financial Results (Consolidated)

(Unit: KRW)

	54th Term (2020)	53rd Term (2019)	52nd Term (2018)
Assets			
Current Assets	893,273,738,535	788,387,955,913	688,715,672,624
Cash and cash equivalents	158,849,601,868	199,410,280,331	98,388,437,105
Short-term financial instruments	165,000,000,000	5,000,000,000	10,000,000,000
Trade and other receivables	247,110,448,883	255,708,301,365	265,113,158,208
Other financial assets	4,301,121,711	4,412,156,155	3,976,263,376
Held-to-maturity investments	11,605,000	245,805,000	112,055,000
Inventories	257,369,471,186	273,940,057,416	257,098,970,295
Right-to-return assets	3,955,544,037	1,707,521,890	1,865,206,874
Tax asset in the current term	4,875,218,011	1,803,381,856	1,692,016,737
Other assets	51,800,727,839	46,160,451,900	50,469,565,029
Non-current assets	2,572,839,164,390	2,468,122,036,258	2,622,564,354,037
Long-term financial instruments	66,058,729,947	5,760,200,399	5,541,626,431
Long-term trade receivables and other receivables	6,724,842,404	6,274,527,234	5,813,234,370
Other financial assets	52,569,666,699	52,788,630,010	49,704,435,855
Profits & losses for the current term - Fair value financial assets	473,412,391	335,184,376	193,925,174
Other comprehensive income - Fair value financial assets	19,935,913,437	25,112,169,914	36,403,369,105
Held-to-maturity investments	1,795,300,000	1,649,390,000	1,820,934,050
Deferred tax assets	401,542,376	131,080,695	
Investment in associate and joint ventures	130,563,634,058	23,002,553,970	56,727,720,284
Tangible assets	1,939,744,908,385	2,014,589,018,624	2,165,689,913,481
Right-to-use assets	78,006,151,446	80,548,058,491	
Investment property	135,508,526,578	136,766,982,165	146,716,726,693
Intangible assets	116,565,138,073	118,580,731,417	151,697,343,776
Other assets	11,621,665,025	2,583,508,963	2,255,124,818
Net defined salary assets	12,869,733,571		
Total Asset	3,466,112,902,925	3,256,509,992,171	3,311,280,026,661
Liabilities			
Current liabilities	864,944,909,992	941,629,484,452	689,030,411,472
Trade and other payables	330,889,582,345	272,502,008,006	339,460,758,332
Borrowings and liquidity bonds	383,664,841,402	536,403,005,743	199,752,537,295
Current lease liabilities	25,494,581,647	24,454,828,092	835,297,536
Other financial liabilities	7,817,871,739	8,518,918,128	15,752,610,960
Tax liabilities in the current term	402,409,222	3,537,327,909	13,237,871,740
Current provisions	16,121,038,273	3,639,603,943	2,828,344,999
Other liabilities	100,554,585,364	92,573,792,631	117,162,990,610
Non-current liabilities	1,296,281,906,581	1,086,875,619,764	1,384,834,565,824
Long-term trade and other payables	2,995,000,000		
Borrowings and bonds	1,121,149,196,455	898,807,562,019	1,209,902,436,980
Lease liabilities	51,773,354,361	56,766,694,490	3,162,256,027
Other financial liabilities	20,074,273,796	15,302,270,538	24,810,097,511
Net defined salary liabilities	1,134,159,919	1,997,668,642	16,702,649,542
Deferred tax liabilities	67,917,087,947	80,443,449,350	101,870,178,866
Provisions	1,852,092,843	11,178,464,912	9,810,348,406
Other liabilities	29,386,741,260	22,379,509,813	18,576,598,492
Total liabilities	2,161,226,816,573	2,028,505,104,216	2,073,864,977,296
Capital			
Owner's equity of dominant firm	1,294,627,755,325	1,212,136,194,493	1,227,269,970,030
Capital	4,875,216,500	4,384,385,000	4,384,385,000
Hybrid bonds	149,459,980,000	149,459,980,000	
Other capital	-714,290,627,700	-846,759,594,444	-846,654,614,749
Accumulated other comprehensive income	-21,659,335,701	-3,230,608,536	-13,723,534,778
Earned surplus	1,876,242,522,226	1,908,282,032,473	2,083,263,734,557
Non-controlling interests	10,258,331,027	15,868,693,462	10,145,079,335
Total capital	1,304,886,086,352	1,228,004,887,955	1,237,415,049,365
Total Liabilities and Capital	3,466,112,902,925	3,256,509,992,171	3,311,280,026,661

Income Statement (Consolidated)

(Unit: KRW)

	54th Term(2020)	53rd Term(2019)	52nd Term(2018)
Sales	2,257,973,300,939	2,429,527,266,539	2,346,277,858,505
Cost of sales	1,349,522,459,201	1,445,899,659,206	1,417,441,204,815
Gross profit	908,450,841,738	983,627,607,333	928,836,653,690
SG&A	812,394,287,534	871,442,872,602	841,050,921,186
Bad debt expenses (Reversal of allowance for bad debts)	-1,173,755,570	4,518,959,927	2,833,868,849
Operating Profit	97,230,309,774	107,665,774,804	84,951,863,655
Other income	44,814,036,645	24,699,580,322	9,014,180,609
Other expenses	125,019,682,860	228,986,926,215	127,472,080,159
Interest income	3,096,265,542	5,741,530,741	3,761,339,265
Financial income	4,723,250,248	1,543,749,852	1,466,920,757
Financial cost	40,061,990,804	39,399,562,218	43,848,596,773
Profit and loss from investment equity method of associates and joint venture	-7,704,534,472	-9,179,753,369	3,200,554,699
Income (loss) before income taxes	-22,922,345,927	-137,915,606,083	-68,925,817,947
Income tax expenses (profit)	-6,120,503,583	6,090,097,514	-18,912,380,254
Net income (loss) during the term	-16,801,842,344	-144,005,703,597	-50,013,437,693
Owner of the dominant firm	-12,512,118,041	-142,432,425,123	-48,050,263,946
Non-controlling interests	-4,289,724,303	-1,573,278,474	-1,963,173,747
Other comprehensive income	-11,743,443,180	3,710,593,039	-11,847,846,044
Items not reclassified as profits and losses for the current term	4,171,803,378	6,835,482,387	-5,705,025,587
Re-measurement element of net defined salary liabilities	6,947,767,658	5,491,812,659	4,801,484,625
Among re-measurement elements of the net defined salary liabilities of the associate, equity allocation amount	435,369,335	-37,559,161	-225,199,470
Other comprehensive income - Financial asset valuation profit and	-3,211,333,615	1,381,228,889	-10,281,310,742
Items that can be reclassified subsequently as profits and losses for the current term	-15,915,246,558	-3,124,889,348	-6,142,820,457
Derivatives valuation profits and losses	-1,774,983,861		-14,373,046
Amount relevant to equity among other comprehensive income of	-9,952,658,497	-216,583,652	1,560,474,023
Gain and loss on translation of overseas business	-4,187,604,200	-2,908,305,696	-7,688,921,434
Gross comprehensive income for the current term	-28,545,285,524	-140,295,110,558	-61,861,283,737
Owner of the dominant firm	-23,062,513,162	-137,470,298,167	-58,426,845,977
Non-controlling interests	-5,482,772,362	-2,824,812,391	-3,434,437,760
Earnings (losses) per share			
Basic and diluted net income (loss) per share on normal stock	-2,104	-17,939	-5,853
Basic and diluted net income (loss) per share on preferred stock	-2,099	-17,934	-5,848

ESG Data Center

Environment Data

Greenhouse Gas Unit

Classification	2018	2019	2020
Unit (Ton, CO ₂ /kl)	0.086	0.086	0.091

※ Emission standard on production sites (beverage, liquor)

※ Improvement Method: Reduce GHG emission by introducing high-efficiency system and replacing to LED light, etc.

GHG Emission (Ton, CO₂)

Classification	2018	2019	2020
Scope1 Direct emission	65,428	65,120	61,480
Scope2 Indirect emission	91,058	86,994	88,310
Total	156,486	152,114	149,790

※ Total emission of beverage and liquor, emission of injection factory acquired in 2021 is excluded

Energy Use

Classification	2018	2019	2020
Usage (TJ)	2,881	2,706	2,679

※ Total Use of Beverage & Liquor

Status of the Air Pollutant Emission

Classification	2018	2019	2020
Dust (Ton)	1.14	0.75	0.66
NOx (Ton)	31.67	35.93	25.45

Water Recycling/Reuse

Classification	2018	2019	2020
Water Usage (m ³)	5,564,138	5,077,293	4,773,147
Recycling/Reuse (m ³)	987,725	484,548	538,183
Water Recycling/Reuse Rate	18%	10%	11%

※ 2020 environmental information disclosure standard

Status of the Waste Discharge Amount

Classification	2018	2019	2020
Waste Amount (Ton)	35,758	32,382	26,055
Recycling Amount (Ton)	34,244	31,894	25,832
Recycling Rate (%)	96%	98%	99%

Plastic Shipment Amount

Classification	2018	2019	2020
PET Bottle (Ton)	45,616	46,730	46,081
Other Synthetic Resin (Ton)	4,059	4,785	4,686

※ Total Shipment Amount of Beverages & Liquor

PET Bottle Weight Lightening

Classification	2018	2019	2020
Weight on Non-reduction (Ton)	50,886	53,035	52,298
Total Shipment Weight (Ton)	45,616	46,730	46,081
Reduction Amount (Ton)	▲ 5,270	▲ 6,305	▲ 6,217
Reduction Ratio	▲ 10 %	▲ 12 %	▲ 12 %

※ Standard: Weight before/after lightweight is reflected (Reduction effect compared to 2010)

Afforestation Projects

Classification	1st	2nd	3rd	4th
Name	Chum-Churum Forest No. 1	Chum-Churum Forest No. 2	Chum-Churum Forest No. 3	Falling Stars Forest
Development Year	2018	2018	2019	2019
Area	20,000㎡	3,300㎡	20,000㎡	1,300㎡

Social Data

New Recruitment & Transfer Rate

Classification	2018	2019	2020
New Recruitment Status (EA)	739	268	100
Transfer Rate (%)	10	8	8

Wage & Salary

Classification	2018	2019	2020
Total Wage (KRW 1 million)	314,163	328,524	316,790
Average Wage per Employee (KRW 1 million)	46	49	50

Average Year of Continuous Service

Classification	2018	2019	2020
Average Years of Continuous Service (Year)	10.1	10.9	11.9

ESG Data Center

Social Data

Employment Status per Age & Gender

Classification (EA)	2018	2019	2020	
Per Age	Age 20~29	1,353	1,142	858
	Age 30~39	2,301	2,321	2,286
	Age 40~49	1,730	1,726	1,705
	Age 50 or more	776	879	985
Gender	Male	4,853	4,769	4,635
	Female	1,307	1,299	1,199

Retirement Status per Age & Gender

Classification (EA)	2018	2019	2020	
Per Age	Age 20~29	295	196	138
	Age 30~39	207	171	165
	Age 40~49	78	81	116
	Age 50 or more	32	28	58
Gender	Male	451	307	260
	Female	161	169	217

Parental Leave Status

Classification (EA)	2018	2019	2020	
Parental Leave	Male	217	184	160
	Female	46	48	44
	Total	263	232	204
Reinstatement Rate (%)	70	69	66	

Status of Welfare Benefits

Classification	2018	2019	2020
Total Welfare Benefits (KRW 100 million)	825	863	831
Welfare Benefits per Employee (KRW 1 million)	15	15	15

Status of Employee Training

Classification	2018	2019	2020
Total Educational Expenses (KRW 1,000)	2,457,876	2,643,125	1,984,447
Training Expense per Employee (KRW 1,000)	399	436	340
Training Time per Employee (Hour)	21	15	12

Status of Accident Rate

Classification	2018	2019	2020
Occurrence of Accidents (EA)	24	27	14
Accident Rate (%)	0.39	0.44	0.24

Partner Education Support

Classification	Year	Educational Course	Frequency	No. of People
Partner Education Support	2018	Outcome, Leadership	3회	171명
	2019	Management, etc.	2회	86명
	2020	Humanities, etc.	2회	76명
	2021	Production Management	10회	7명

※ Education in 2nd semester of 2021 not included

Status of Social Contribution Cost

Classification (KRW 1 million)	2018	2019	2020
Social Welfare	3,271	2,506	3,075
Medical Health	33	11	54
Education, school & academic research	174	308	215
Culture, art & sports	687	1,235	1,120
Environment	7	221	14
Total	4,172	4,281	4,479

Status of Volunteer Activities by our employees

Classification	2018	2019	2020
Annual No. of People	1,464	1,703	345
Total Hours	6,826	7,670	1,147
Time per Employee	4.7	4.5	3.3

Donation Ratio Compared to Operating Profit

Classification	2018	2019	2020
Contribution Rate (%)	4.8	3.9	4.6

Labor Union Membership Ratio

Classification	2018	2019	2020
No. of Employees (EA)	5,388	5,334	5,139
No. of Labor Union Members (EA)	2,582	2,636	2,661
Ratio (%)	47.9	49.4	51.8

ESG Data Center

Governance Data

Operation of the Board of Directors (BOD)

Classification	2018	2019	2020
No. of holding BOD (Times)	7	8	9
No. of Agenda (EA)	33	46	31

※ Standard of business report on end of each year

Remuneration of the Board of Directors

Classification	No. of Directors	Total Remuneration Amount	Average Amount
Executive Director	4	997	249
Non-executive Director	5	401	80

Shareholder Composition

As of Sep. 16, 2021, Unit: Share

Name	Normal Stock No. of Shares	Share Ratio (%)
Affiliated entity	6,136,914	66.14
Lotte Corporation	4,023,194	43.36
Other shareholders	3,141,970	33.86
Foreign investors	786,044	8.47
Total	9,278,884	100.0

Stock Distribution Status

Status of shares owned by the largest shareholder and special associate

As of Sep. 16, 2021, Unit: Share

Name	Normal Stock		Preferred Stock		Total	
	No. of Shares	Share Ratio (%)	No. of Shares	Share Ratio (%)	No. of Shares	Share Ratio (%)
Lotte Corporation	4,023,194	43.36	64,890	8.37	4,088,084	40.66
Lotte Aluminum	708,870	7.64	30,500	3.93	739,370	7.35
Lotte Scholarship Foundation	501,680	5.41	39,650	5.11	541,330	5.38
Hotel Lotte	473,450	5.10	37,470	4.83	510,920	5.08
Lotte Holdings	109,830	1.18	-	-	109,830	1.09
Shin Dong-bin	43,367	0.47	63,862	8.24	107,229	1.07
Shin Yeong-ja	247,073	2.66	48,213	6.22	295,286	2.94
Shin Dong-ju	26,020	0.28	27,445	3.54	53,465	0.53
Lotte Culture Foundation	-	-	9,200	1.19	9,200	0.09
Lee Yeong-gu	930	0.01	-	-	930	0.01
Park Yun-gie	500	0.01	-	-	500	0.00
Total	6,136,914	66.14	321,230	41.43	6,458,144	64.23

Status of shareholders owning 5% or more of shares

As of Sep. 16, 2021, Unit: No. of shares

Shareholder Name	Normal Stock		Remark
	No. of Shares	Share Ratio (%)	
Lotte Corporation	4,023,194	43.36	
Lotte Aluminum	708,870	7.64	
Lotte Scholarship Foundation	501,680	5.41	
Hotel Lotte	473,450	5.10	
National Pension Service	830,779	8.95	Report on Aug. 3, 2021

※ Ownership status of the National Pension Service is based on the disclosure of large equity ownership and may differ from current ownership status.

Status of Compliance (Fair Trade & Anti-corruption) Training

Classification	Unit	2018	2019	2020
Training on Employees	No. of training courses	EA	1	1
	Total Training Hours	Hour	2	2
	Number/Target completing the training	EA(%)	637/653(98%)	3,513/3,551(99%)
Compliance Relevant Department - Intensive Training	No. of training courses	EA	-	2
	Total Training Hours	Hour	-	2
	Number/Target completing the training	EA(%)	-	1,045/1,045(100%)

Assurance Statement on The Sustainability Report for

Dear Stakeholders of LOTTE CHILSUNG BEVERAGE

KFQ has been requested by LOTTE CHILSUNG BEVERAGE to conduct an independent assurance on the 2020 Sustainability Report for LOTTE CHILSUNG BEVERAGE (further 'the Report'). KFQ has the sole responsibility to provide an opinion of independent assurance in accordance with the scope of assurance, based on standards, methodology, and limitations stated in this Assurance Statement. KFQ was not involved in the process of preparing the Report and the information and presentation of data within the Report is the responsibility of LOTTE CHILSUNG BEVERAGE.

Standard and Scope of Assurance

The assurance was planned and carried out to verify the activities and performance of the organization disclosed in the report in accordance with the following criteria based on international standards, AA1000AS v3, AA1000APS(2018), and GRI standards :

- Compliance with AA1000AS
 - Application of Type 1 (Adherence to Principles of Inclusivity, Materiality, Responsiveness and Impact) with Moderate Level
- Compliance with GRI standards according to the criteria of "Core Option"
 - GRI Standard reporting principles
 - GRI Universal Standards
 - Topic Specific Standards
 - Management Approach for Topic-specific Standard
 - Anti-Corruption: 205-1, 205-2
 - Anti-Competitive Behavior: 206-1
 - Energy: 302-1, 302-4, 302-5
 - Emissions: 305-1, 305-2, 305-5, 305-7
 - Waste: 306-2, 306-3
 - Occupational Health and Safety: 403-1, 403-2, 403-3
 - Training and Education: 404-1, 404-2
 - Non-Discrimination: 406-1
 - Local Communities: 413-2
 - Customer Health and Safety: 416-1
 - Marketing and Labeling: 417-2, 417-3

Methodology

In order to assess credibility of sustainability performance of the Report, we reviewed the process and system for preparation of the Report, as well as available data and information. Non-financial information was reviewed based on internal data of LOTTE CHILSUNG BEVERAGE, such as the latest sustainability report, disclosed Business Report and compared with information from media and the internet. Financial information was investigated whether data in the Report are correctly reported from DART (Data Analysis, Retrieval and Transfer System), an Electronic Disclosure System managed by Financial Supervisory Service. This assessment was conducted a document review only excepting a site verification. Validity of processes for materiality assessment, criteria for selecting issues considering stakeholders' views, data collection and management, report preparation and descriptions were assessed through written questions. It was confirmed that the findings from the above steps such as errors, inappropriate information, and ambiguous expressions are properly complemented by LOTTE CHILSUNG BEVERAGE.

Competency and independence

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

Limitations

The completeness and responsiveness of sustainability performance in the Report have inherent limitations due to its nature and the methodology used to determine, calculate and estimate its performance. In accordance with the terms of the contract, the assessment was conducted based on provided data and information without verification for original data of specified performance information which is out of the assurance scope.

LOTTE CHILSUNG BEVERAGE

Findings and Conclusions

As a result of the above assessment, we confirm that the content of this report fulfills the requirements of the 'Core options' of GRI Standards and secured a reasonable basis to assurance level of Type 1 in accordance with AA1000AS v3. Within the scope of the assurance activities above, we could not find further significant errors or inappropriate information from the final Report against the following principles:

- **Inclusivity:** Whether LOTTE CHILSUNG BEVERAGE is actively identifying stakeholders and enabling their participation in establishing organization's material sustainability topics, and developing strategic countermeasures.
 - LOTTE CHILSUNG BEVERAGE is collecting opinions from various stakeholders including Customers, Stockholders, Employees, Government, Local community through communication channels such as Customer counseling center, Joint labor-management conference, Partner company meeting, Community meeting. No evidence of omissions of major stakeholders was found.
- **Materiality:** Whether each topic is considered in overall business activities by identifying and prioritizing the most relevant sustainability topics in consideration of the impact on the organization and stakeholders.
 - LOTTE CHILSUNG BEVERAGE conducted a materiality assessment in terms of stakeholders' interest and business impact. They identified important issues, derived priorities, and reported sustainable management activities and performance without any omission of major issues.
- **Responsiveness:** Whether LOTTE CHILSUNG BEVERAGE has established a communication process with stakeholders to respond to the needs, interests, and expectations of stakeholders that affect sustainability performance.
 - LOTTE CHILSUNG BEVERAGE reported activities and performance that address the needs and concerns of stakeholders which were identified from the materiality assessment process and respond to their opinion by taking into consideration its overall management. No evidence of inappropriate response activities and performance was found.
- **Impact:** Whether LOTTE CHILSUNG BEVERAGE has considered sufficient aspects of the impact of material topics based on its understanding of related stakeholders' concerns.
 - KFQ confirms that LOTTE CHILSUNG BEVERAGE is identifying and monitoring the impact of material topics related to stakeholders and reporting them to the extent possible.

Recommendation for improvement

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

- We look forward to continuously disclosing GHG reduction activities to achieve the 2040 carbon neutrality goal. The action allows stakeholders to recognize that LOTTE CHILSUNG BEVERAGE manages climate change as a material issue.
- In the future, we hope that LOTTE CHILSUNG BEVERAGE discloses the activities and resolutions of the ESG Committee newly established this year. The action allows stakeholders to clearly identify LOTTE CHILSUNG BEVERAGE's enterprise-wide sustainability strategy.



December 13, 2021
Seoul, Korea

Ji Young Song, CEO
Korean Foundation for Quality (KFQ)

Ji Young Song

GRI Index

Training and Education		ISO 26000	Verification	
			Page	Omissions/ Comments
Organization profile				
102-1	Organization title		8	
102-2	Activity and main brands, products and services		11,14~17	
102-3	Location of head office		9	
102-4	Business area		8~9	
102-5	Ownership structure characteristics and legal form		86	
102-6	Market area	6.3.10/6.4.1-6.4.2/ 6.4.3/6.4.4/6.4.5/ 6.8.5/7.8	8~9	
102-7	Organizational scale		9	
102-8	Information on our employees and workers		55,84	
102-9	Supply chain of the organization		9	
102-10	Significant change on the organization and supply chain		GRI STANDARDS INDEX	No significant change
102-11	Advanced prevention principle and approach		10	
102-12	External initiative		About This Report	
102-13	Association membership		53,93	
Strategy				
102-14	Statement by the top decision-maker	4.7/6.2/7.4.2	2~3	
Ethics and integrity				
102-16	Value, principles, standards and code of conduct	4.4/6.6.3	71	
Governance				
102-18	Governance	6.2/7.4.3/7.7.5	68	
Stakeholder participation				
102-40	List of stakeholder group related to the organization		20	
102-41	Collective agreement		50~53	
102-42	Stakeholder identification and selection	5.3	20	
102-43	Stakeholder participation method		24~25	
102-44	Core topic and interests proposed through stakeholder participation		24~25	
Identification of significant issues and report boundary				
102-45	List of subsidiaries and joint venture included in the consolidated financial statements of the company		Business Report	
102-46	Definition on the boundaries of report contents and topic		24~25	
102-47	Material topics list		25	
102-48	Re-description of information		GRI STANDARDS INDEX	No significant change
102-49	Change in report		About This Report	
102-50	Reporting period	5.2/7.3.2/ 7.3.3/7.3.4	About This Report	
102-51	Latest report date		About This Report	Initial report Published in Sep. 2013
102-52	Report period		About This Report	
102-53	Inquiry on the report		About This Report	
102-54	Reporting method based on GRI standards		88~89	
102-55	GRI index		90~92	
102-56	External verification		88~89	

Training and Education		ISO 26000	Verification	
			Page	Omissions/ Comments
Procurement practice				
103	Management Approach	6.4.3/6.6.6/ 6.8.1-6.8.2/6.8.7	62	
Anti-Corruption				
103	Management Approach		71	
205-1	Corruption risk assessment on the worksite	6.6.1-6.6.2/6.6.3	72	
205-2	Notice and training on the anti-corruption policy and procedure		72~73	
Fair competition				
103	Management Approach		73	
206-1	Legal action on the unfair trade such as act prohibiting competition and monopoly, etc.	6.6.1- 6.6.2/6.6.5/6.6.7	GRI STANDARDS INDEX	No violations
Energy				
103	Management Approach		35	
302-1	Energy consumption in the organization		35	
302-4	Reduction of energy consumption	6.5.4/6.5.5	35	
302-5	Reduction of required energy amount on the products and services		38	
Emission				
103	Management Approach		35	
305-1	Direct GHG emission (SCOPE 1)		35	
305-2	Indirect GHG emission by the energy (SCOPE 2)	6.5.3/6.5.5	35	
305-5	Reduction of GHG emission		35	
305-7	NOx, SOx and other significant air emissions		36,82	
Waste				
103	Management Approach		37	
306-2	Waste for each type and treatment method	6.5.3/6.5.4	37	
306-3	Leakage of harmful substances		37	
Labor-management relationship				
103	Management Approach	6.4.3/6.4.4	51	
Health & Safety				
103	Management Approach		59	
403-1	Occupational Safety & Health Operation System	6.4.6/6.8.8	59	
403-2	Work risk recognition, risk assessment and accident investigation		60	
403-3	Occupational Health Service		59~60	
Training and Education				
103	Management Approach		56	
404-1	Average training hours per employee	6.4.7	57	
404-2	Program for supporting employee empowerment and conversion		56-57	
다양성과 평등한 기회				
103	Management Approach	6.2.3/6.3.7/ 6.3.10/6.4.3	54	

GRI Index

Training and Education		ISO 26000	Verification	
			Page	Omissions/ Comments
Prohibition of penalty				
103	Management Approach	6.3.6	53-55	
406-1	Penalty case and corrective measures		GRI STANDARDS INDEX	No violations
Human rights evaluation				
103	Management Approach	6.3.5/6.3.6	50-53	
412-2	Employee training on the human rights policy and procedure related to the business		50-53	
Community				
103	Management Approach	6.3.9/6.5.1-6.5.2/ 6.5.3/6.8	63-65	
413-2	Worksites having significant negative impact on the local community practically or potentially		GRI STANDARDS INDEX	No worksite having negative impact
Social evaluation of the supply chain				
103	Management Approach	6.4.3/6.6.6/ 6.8.1-6.8.2/6.8.7	62	
Health & Safety of customers				
103	Management Approach	6.7.1-6.7.2/ 6.7.4/6.7.5/6.8.8	41	
416-1	Safety and health impact evaluation on products and service groups		43-44	
Waste				
103	Management Approach		31-33, 38	
417-2	Case of violating the legal and internal regulations on the product and service information and labeling	6.7.1-6.7.2/6.7.3/ 6.7.4/6.7.5/6.7.9	GRI STANDARDS INDEX	No violations
417-3	Violations of regulation related to marketing communication		GRI STANDARDS INDEX	No violations

Awards & Certifications

Awards



'Klout Draft' received Silver Prize in IBC (International Beer Challenge)

Dec. 2020 IBC (International Beer Challenge)



Beverage business selected No. 1 for 8 consecutive years, and Soju business ranked No. 1 for 5 consecutive years

Nov. 2020 NCS(National Customer Satisfaction Index)



'2020 Company Award & CSR Film Festival' Hope Sharing Division, Awarded from the Minister of Health & Welfare

Nov. 2020 Company Award & CSR Film Festival



'Del Monte Juice Ranked No. 1 in the 'Brand Power of Korean Industry(K-BPI)', Juice Category for 22 Consecutive Years

Mar. 2020 KMAC (Korea Management Association Consulting)



In 2020, 'ICIS 8.0 ECO' received the Minister's Award from the Ministry of Trade, Industry & Energy in the 'Good Design Awards'

2020 Good Design Awards



2020 'Lotte Chilsung Beverage 70-year History', received 'Gold Prize' in the publication division of IBA(International Business Awards)

Sep. 2020 IBA(International Business Awards)



'Yellow Tail' selected No. 1 in World Wine Power Index for 3 Consecutive Years

2020 Wine Intelligence



Received award in the '2019 Red Dot Design Awards' (Germany) (Yolala Yogurt Flavor Sparkling, Del Monte Juice Small Bottle)

Aug. 2019 Red Dot Award



2019 Korea Brand Power Index (K-BPI) Ranked 1st for 21 consecutive years

Mar. 2019 KMAC (Korea Management Association Consulting)



Sunhari Strawberry (export only) awarded the Judge Award in the liquor category at the 2019 Alberta Beverage Awards

2019 Alberta Beverage Awards (ABA)



Cantata ranked 1st in the 2018 K-CSBI (in the Premium Canned Coffee Drinks category)

Apr. 2018 K-CSBI No. 1 Evaluation Committee



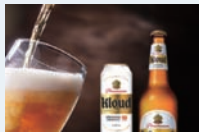
2018 Korea Brand Power Index (K-BPI) Ranked 1st for 20 consecutive years (Korea Brand Power Index)

Mar. 2018 KMAC (Korea Management Assoc. Consulting)



Chum-Churum awarded Internet Communication Grand Prize in the enterprise category

2018 - 11th Internet Communication Awards and Social Media Awards



Klout, awarded the Social Media Grand Prize in the liquor category; awarded the Digital Content Grand Prize in the enterprise category

2018 - 11th Internet Communication Awards and Social Media Awards



Chum-Churum and the "My Label" Campaign awarded the Grand Prize in the promotions category and the Silver Prize in the design category

2018 Korea Advertising Awards



IF Design awards 2018 Chilsung Cider Vintage

2018 IF Design award



IF Design awards 2018 Self Barista

2018 IF Design award



2018 Good Design Award Cantata Contrabass

2018 Ministry of Trade, Industry & Energy



Grand prize in 2017 Star Brand Awards (in cold brew category)

Dec. 2017 Maekyung Media Group (Maekyung Biz/Maekyung.com)



2017 Good Design Award Nutri-Meal

2017 Ministry of Trade, Industry & Energy, KIDP (Korea Institute of Design Promotion)



2018 Good Design Award - Ceylon Tea, Cold Brew Black Tea

2017 Ministry of Trade, Industry & Energy, KIDP (Korea Institute of Design Promotion)



2017 Korea Package Design Award Cantata Winter Limited Edition

2017 KPDA (Korea Package Design Association)



2017 Korea Package Design Award Let's Be Winter Limited Edition

2017 KPDA (Korea Package Design Association)



KIDP (Korea Institute of Design Promotion) 2017 Korea Package Design Award - Ceylon Tea, Cold Brew Black Tea

2017 KPDA (Korea Package Design Association)

Other Awards



2018 Job Creating Presidential Distinguished Award

Ministry of Employment and Labor



Presidential Award for 23rd World Environment Day

Ministry of Environment



2018 Labor-Management Relation Prime Minister Distinguished Award

Ministry of Employment and Labor

Certifications



Exemplary business in creation of jobs

Ministry of Employment and Labor



Best Labor-Management Culture Enterprise

Ministry of Employment and Labor



Female-friendly enterprise

Ministry of Culture, Sports & Tourism



Exemplary business in family-friendliness

Ministry of Gender Equality & Family



Exemplary business in gender equality in employment

Ministry of Employment and Labor

Contributors to producing this report

In 8 years since our first sustainability report, Lotte Chilsung Beverage published the sustainability report through company-wide cooperation. Thank you for your active cooperation and keen interest regarding the production of this report.

Gang Gil-muk	Kim Hwa-eon	Seo Eun-ji	Lee Gyeong-seong	Jang Dong-in	Cheon Yeong-tae
Gang Yeong-jin	Kim Heung-soo	Seo Han-sol	Lee Sang-min	Jang Min-yeong	Choi Yeong-rae
Gang Tae-gwang	Na Sang-min	So Yeon-ji	Lee Sang-woo	Jang Sae-mi	Choi Eun-yeong
Goh Tae-yeong	Na Ji-hoon	Sohn Min-ho	Lee Seok-chae	Jang Yong-ho	Choi Jae-jin
Gwak Dong-chan	Ryu Yeong-seok	Song Mun-soo	Lee Seong-sik	Jang Jae-yeong	Choi Ji-soo
Kwon Min-cheol	Mun Sang-jin	Shin Hae-mo	Lee Chae-hong	Jang Hyun-jin	Han Yeong-min
Kim Dae-il	Park Min-ji	Shin Hyang-ha	Lee Tae-hyung	Jeong Min-gi	Heo Ju-hyeon
Kim Dong-wook	Park Sin-jae	Ahn Seon-geun	Lee Hong-eun	Jeong Woo-hyun	Hyeon Na-yoon
Kim Soo-yeong	Park Won	Yang Mun-yeong	Lim Geun-tak	Jeong Jin-seob	Hong Yong-pyo
Kim Chang-hyeon	Park In-hyeok	Woo Tae-sik	Lim Seong-hwan	Joo Hyeon-jeong	Hong Jong-hyeon
Kim Tae-woo	Seo Yu-jin	Yoon Yeong-shin	Lim Yo-han	Chea Byung-hoon	Hwang Won-jae

Those who cooperated in the stakeholder interview

Kim Jung-joong, Song Gyeong-seon, Lee Oui-do, Jeon Hyun-sung, Jeong Min-hee

Planning

Lotte Chilsung Beverage ESG Division Director Jung Chan-woo

Lotte Chilsung Beverage ESG Team Min Chang-yun, Park Dong-jin, Lee Chung-san, Kim Myeong-seok and Choo Eun-seon

Published	November 2021
Publisher	Lotte Chilsung Beverage Co., Ltd.
Edit	Korea Management Registrar Inc. (KMR)
Verification	Korean Foundation for Quality
Design	Design Space Plus

Survey on the Opinions of the Readers

Thank you for reading the Lotte Chilsung Beverage Sustainability Report.

We wish to listen to the valued opinion of the readers of the sustainability report and various stakeholders to publish better sustainability report in the future. Please fill in the following contents and send us through mail or e-mail.

1. What group are you affiliated with?

- Customer
- Employee
- Government
- Local Resident
- Business Partner
- NGO & Civic Group
- Specialized Agency
- Others ()

2. Through which channel did you receive this sustainability report?

- Official website of Lotte Chilsung Beverage
- Media (Newspaper, etc.)
- Web surfing
- Lotte Chilsung Beverage employee
- Seminar/Lecture
- Others ()

3. For what purpose(s) do you use this report? (Multiple choices possible)

- To obtain information on Lotte Chilsung Beverage
- To identify the ESG management activities of Lotte Chilsung Beverage
- To compare and analyze the characteristics of the business type that Lotte Chilsung Beverage is included
- For the purpose of research and training
- Others ()

4. What was the most interesting issue in this report? (Multiple choices possible)

- Introduction of Lotte Chilsung Beverage and ESG management strategy
- Efforts for environment management
- Quality for customer satisfaction
- Support for employee value
- Win-win & social contribution for shared growth
- Board of Directors & Governance
- Ethical Management/Risk Management

5. What are the sections requiring improvement in this report? (Multiple choices possible)

- Introduction of Lotte Chilsung Beverage and ESG management strategy
- Efforts for environment management
- Quality for customer satisfaction
- Support for employee value
- Win-win & social contribution for shared growth
- Board of Directors & Governance
- Ethical Management/Risk Management

6. Does this report provide a good understanding of Lotte Chilsung Beverage's ESG management initiatives?

- Very helpful
- Helpful
- Normal
- Not helpful
- No help at all

7. What is your evaluation on this report?

Understanding of the Information

- Very satisfactory
- Satisfactory
- Normal
- Unsatisfactory
- Very unsatisfactory

Accuracy of the Information

- Very satisfactory
- Satisfactory
- Normal
- Unsatisfactory
- Very unsatisfactory

Amount of Information

- Very satisfactory
- Satisfactory
- Normal
- Unsatisfactory
- Very unsatisfactory

Design Composition

- Very satisfactory
- Satisfactory
- Normal
- Unsatisfactory
- Very unsatisfactory

8. Please write your opinion as to the ESG management efforts of Lotte Chilsung Beverage, or the overall composition and contents of this report.

dotted line

To Lotte Chilsung Beverage Official Website : <https://company.lottechilsung.co.kr/>
E-mail : djp833@lotte.net
Mail : (05510) ESG Team, 5th Fl., Lotte Castle Gold, 269 Olympic-ro, Songpa-gu, Seoul, Korea



This report was printed with soy ink on eco-friendly paper.