

# Lotte Chilsung Beverage

## 2021 Sustainability Report



Overview

ESG Highlights

Environment

- to better the environment

Social

- to renew the society

Governance

- to strengthen the company

Appendix

## About This Report

### Report Overview

This report is Lotte Chilsung Beverage's Sustainability Report that is published for the purpose of reporting the company's comprehensive yearly financial and non-financial performances for our investors and stakeholders.

### Reporting Period

The Report covers our activities from January 1, 2021 to December 31, 2021. For information that may be influential for the stakeholders, we have included performances from 2022. In case of quantitative performance, we have included data from the last 3 years to show trends. For other important matters, we have separately noted the collection period of the data.

### Reporting Scope

This report primarily focuses on the non-financial performance of Lotte Chilsung Beverage and includes the entire domestic business sites operated by Lotte Chilsung Beverage. Some of the data includes performance from overseas offices, subsidiaries, and supply chains.

### Reporting Standard

Financial Information of the Report has been constructed based on K-IFRS (Korea International Financial Reporting Standards). We have reported the non-financial Information (ESG) based on the GRI (Global Reporting Initiative) standards and have structured the Report by referring to the UN Global Compact (UNGC), main agenda of ISO 26000, SASB (Sustainability Accounting Standards Board), and TCFD (Task Force on Climate Related Financial Disclosure).

### Third Party Verification

To ensure the credibility of the reported content, this Report has been assessed by an independent external verification agency, KPMG Samjong Accounting Corporation. The Report has also been verified in accordance to the international verification standard, ISAE3000.

### Inquiries

For any inquiries on this Report, please contact us using the information below.

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#### Cover Story



We demonstrated Lotte Chilsung Beverage's efforts to use and circulate water valuably, offer safe products to customers, and share value through each stage from production to sales of our products.

Representative Beverage Company of South Korea, Lotte Chilsung Beverage

Starting as Chilsung Cider in 1950, Lotte Chilsung Beverage has been

cherished by customers for products of the highest-quality up until today.

We are now pursuing sincere ESG management with

the goal of becoming "A healthy and respected company".

To contribute to the abundant lives of everyone involved with

our company, we will provide products that are trusted for

their top quality and grow alongside the society,

preparing for the future to come.

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### Interactive Users Guide


Lotte Chilsung Beverage's Sustainability Report is designed as an interactive PDF report to enable navigating to relevant web pages in order to facilitate the readers' comprehension. By clicking 'Home', 'Contents', or 'Return to the previous page' buttons, the reader can navigate or print pages, and also directly view the page of interest by clicking the icon on the left side of the page.


 You can navigate to the cover page of this Report.

 You can navigate to the last page viewed before the current page.

 You can access the information that is disclosed on Lotte Chilsung Beverage's website or external websites.

 You can navigate to the previous page of this Report.

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A healthy and respected company

★ CEO Message



롯데칠성음료



We integrate environmental, social and governance (ESG) priorities in our management while delivering sustainable products and services to create an ecosystem in which we can grow with our stakeholders.

Dear Stakeholders,

2021 was a year of challenges for Lotte Chilsung Beverage as the prolonged Covid-19 pandemic and sharp changes in consumption trends impacted our business. Even in times of uncertainties, however, we continued our efforts in strengthening our internal capacity with the goal of bolstering competitiveness and sustainable growth.

The beverage business played a key role in driving sales by responding quickly to the rise in demand for products that promote health and changes in consumption channels. In particular, zero-calorie products such as 'Chilsung Cider Zero' and 'Pepsi Cola Zero,' which maintains the taste of the classic products, were well received by the public. In addition to 'ICIS 8.0 ECO,' South Korea's first label-free bottled water, we continued to generate new value to our customers by introducing label-free, eco-friendly products in carbonated and coffee drink categories.

In response to a growing trend where people are drinking alone or at homes, coupled with an expanding household market, the alcohol beverage business renewed the "Chum-Churum" soju and "Kloud" beer. It also addressed consumer needs and promoted a variety of alcoholic beverages in the wine, RTD, and whiskey segments. Furthermore, the liquor business succeeded in achieving an operating profit in 2021, or three years after it implemented the bold ZBB Project. The ZBB Project sought to improve factory utilization rates and reduce fixed costs and inefficiencies through the integration of soju plants and new beer OEM business.

As a result, in 2021, Lotte Chilsung Beverage recorded an 11% increase in sales and 87.4% increase in operating profit compared to the previous year. This achievement is noteworthy as the beverage industry is a low-growth sector compared to other industries.

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## ★ CEO Message

“We will establish a mid-to long-term roadmap for Lotte Chilsung Beverage to achieve a sustainable future.”

Lotte Chilsung Beverage strives to be a respected corporate citizen worldwide. In 2021, we declared our commitment to ESG management, published our Sustainability Report and joined the Global Initiative (UN Global Compact). We achieved several recognitions for our efforts including obtaining an 'A' ratings in ESG (Korea Corporate Governance Service) and received the Excellent Company Award (Korea IR Council). We will not rest on our laurels, however. We will establish and promote a roadmap for the environment, society, and governance (ESG) to provide sustainable value to our stakeholders.



### Environment | Achieving carbon neutrality by 2040 and strengthening of the virtuous cycle of resources

Lotte Chilsung Beverage plans to achieve zero carbon emissions and reach carbon neutrality by 2040. As the first in the industry to acquire membership in RE100, we will gradually transition to new and renewable energy and organize GHG management at our domestic and overseas business sites to achieve a carbon neutral society based on low-carbon, green growth. In addition, we will establish a system to enhance water resource management while building a circular economy for plastics by expanding the applications of no-label, eco-taps, transparent PETs and r-PETs in our products.

### Social | Delivering sustainable products and advancing mutual growth

Lotte Chilsung Beverage plans to expand its portfolio of sustainable products such as low-sugar, low-calorie, low-alcohol, and health-functional foods to deliver products that can provide customers with health and nutritional benefits. We will continuously launch sustainable products by identifying consumer demands and create common grounds. In addition, we will expand ESG risk management to our partner companies and implement socially responsible investments with the mid- to long-term goal of operating an ESG management platform. We will also improve the working environment in aspects such as industry safety, human rights, and diversity to fulfill our responsibility to our employees.

### Governance | Fulfilling ESG management and increasing shareholder value

Lotte Chilsung Beverage seeks to secure a governance structure that will serve as a bedrock in the company's long-term ESG management. To this end, we will strengthen expertise and ensure diversity in our governance. We will secure professionals with expertise and substantial experience in sustainability management so that the ESG Committee can expand its roles and authority. In addition, we plan to prepare an executive compensation system linked to ESG performance to strengthen accountability and responsibility in ESG management. We will also strengthen the company's disclosure on external evaluations and certifications and adopt a continuous shareholder return policy to increase shareholder value.

Moving forward, through products, channels, and operating strategies tailored to the changing times, Lotte Chilsung Beverage will do its utmost so that our shareholders, partner companies, employees, and other members in the company's ecosystem are able to grow together through robust sales and profits. To achieve this, we will secure future growth engines, enhance the value chain, and create a thriving corporate ecosystem. We pledge to continuously change and innovate so that Lotte Chilsung Beverage can advance its position as a strong and respected company.

Thank you.

CEO of Lotte Chilsung Beverage Co., Ltd.

Park Yun-gie

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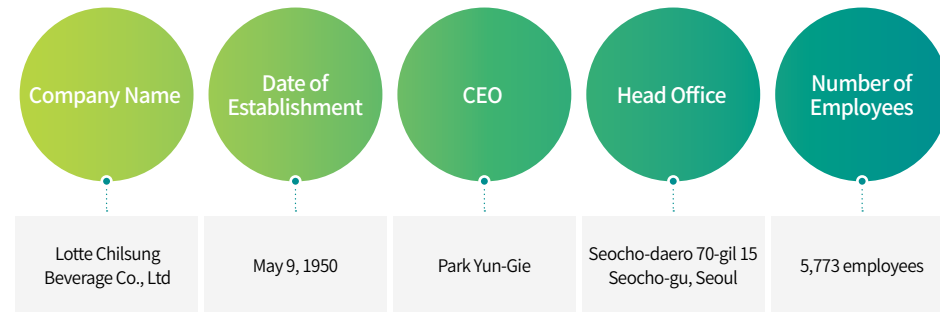
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## ★ Our Company

### Representative Beverage Company of South Korea, 'Lotte Chilsung Beverage'

Since South Korea's first steps in the soft drink industry in 1950, Lotte Chilsung Beverage, which began as Chilsung Cider has been steadily developing and providing the highest quality products until today and have grown into a prestigious national beverage company. Through industry-leading quality competitiveness and customer-centric business capabilities, we will take our leap forward to be an outstanding world-class comprehensive beverage company.

### Company Overview



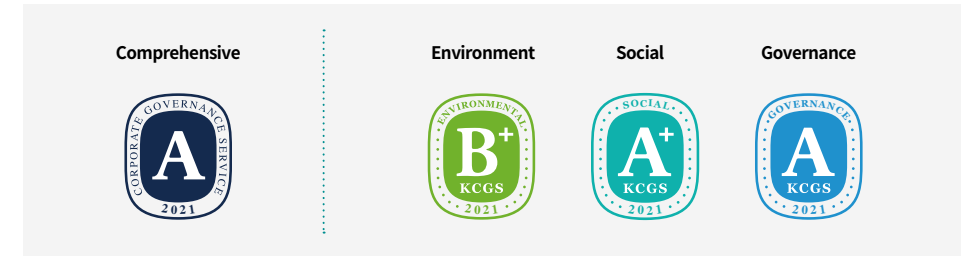
\* As of Dec. 2021

### External Ratings

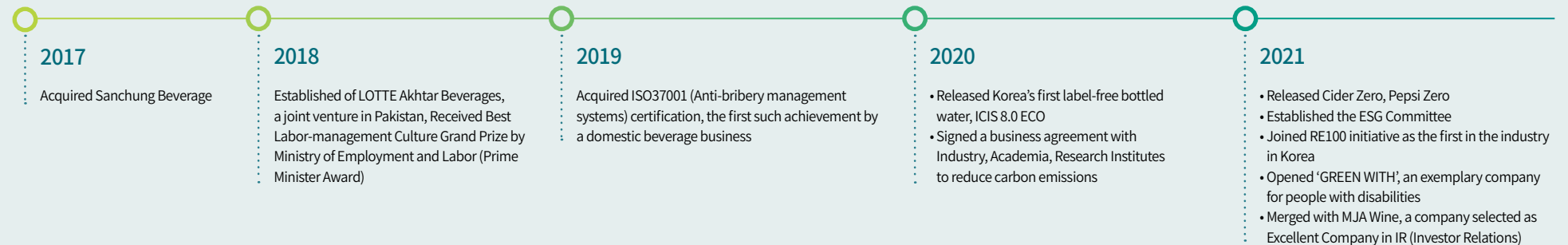
#### Credit ratings

	Korea Ratings	NICE Credit Ratings
Corporate bonds	AA	AA
Corporate Notes	A1	A1

#### ESG Ratings (KCGS)



### Major Milestones (2017~2021)



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## Financial Highlights

Lotte Chilsung Beverage has expanded its sales volume in the midst of changes in the market and the management environment by promoting the release of new products that go along with the trends as well as the renewal of its flagship products. In addition, by reinforcing ZBB (Zero Based Budget) tasks including integration of plants, vertical integration of PET, launching of the beer OEM business etc. we have significantly improved profitability. In the future, we will continue to promote an active shareholder return policy to increase shareholder value, and expand investment for future growth to increase sustainable corporate value.

### Consolidated Financial Performance (Summary)

	2019	2020	2021
<b>Summary of Consolidated Statement of Income Statement (Unit : KRW 100 mil.)</b>			
Sales	24,295	22,580	<b>25,061</b>
Cost of Sales	14,459	13,495	<b>14,603</b>
Operating Profit	1,077	972	<b>1,822</b>
Net Income (Loss)	(1,440)	(168)	<b>1,371</b>
<b>Summary of Consolidated Statement of Financial Position (Unit : KRW 100 mil.)</b>			
Total Assets	32,565	34,661	<b>35,968</b>
Total Liabilities	20,285	21,612	<b>21,518</b>
Total Equity	12,280	13,049	<b>14,451</b>

### Stock Information

		2019	2020	2021
Highest (KRW)	Ordinary Shares	184,300	137,000	<b>167,500</b>
	Preferred Shares	82,500	71,300	<b>90,500</b>
Lowest (KRW)	Ordinary Shares	127,000	81,000	<b>106,000</b>
	Preferred Shares	62,000	35,550	<b>59,400</b>
Year-end closing price (KRW)	Ordinary Shares	140,000	108,500	<b>133,500</b>
	Preferred Shares	72,200	59,900	<b>69,900</b>
Market Capitalization (KRW 100 mil.)		11,750	10,202	<b>12,929</b>
Total number of issued shares (share)		8,768,770	9,750,433	<b>10,054,194</b>
Total cash dividends (KRW 100 mil.)		222	260	<b>298</b>

\* Stock Price : Closing price basis

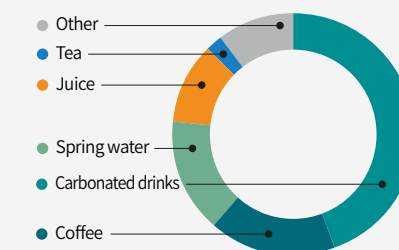
\* Market Capitalization/ Total number of issued shares : As of Dec. 31st

Independent Accounting Auditor's Report <b>Appropriate</b>	Internal Accounting Status Review <b>Appropriate</b>
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### Percentage of sales by each product and major performance



### Sales in 2021 : KRW 2.5061 trillion (consolidated), KRW 2.3451 trillion (separate)



#### Sales (Beverages) : KRW 1.6729 trillion

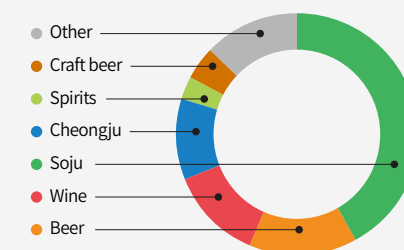
Increased sales of Zero trends and label-free products Launched e-commerce channels such as Open Market, Chilsung Mall, etc.

#### Key products with increased sales

Zero carbonated drinks + **87.5 billion**

Label-free bottled water + **31 billion**

PET coffee + **11.5 billion**



#### Sales (Liquor) : KRW 672.2 billion

Alleviated Covid-19 pandemic Increase in sales of Kloud, wine and spirits

#### Key products with increased sales

Kloud Fresh + **30.3 billion**

Beer OEM + **30 billion**

Chungha + **3.1 billion**

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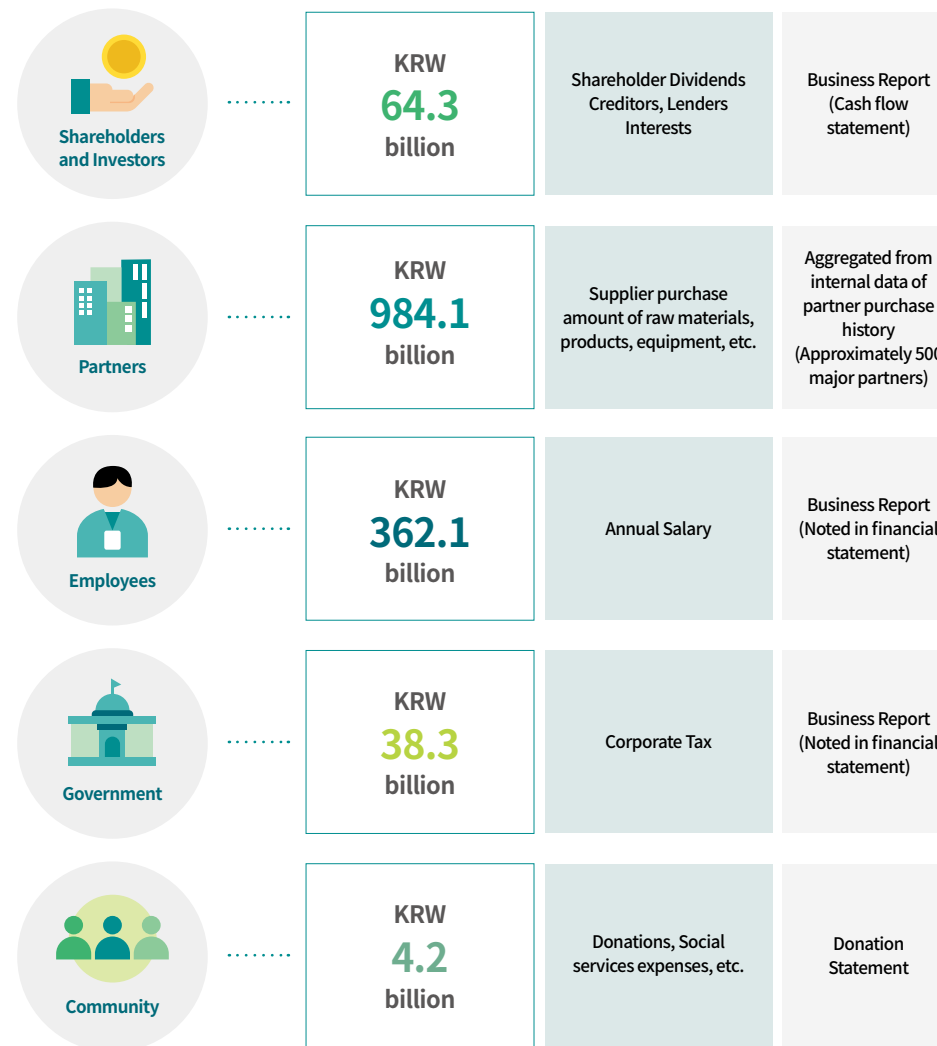
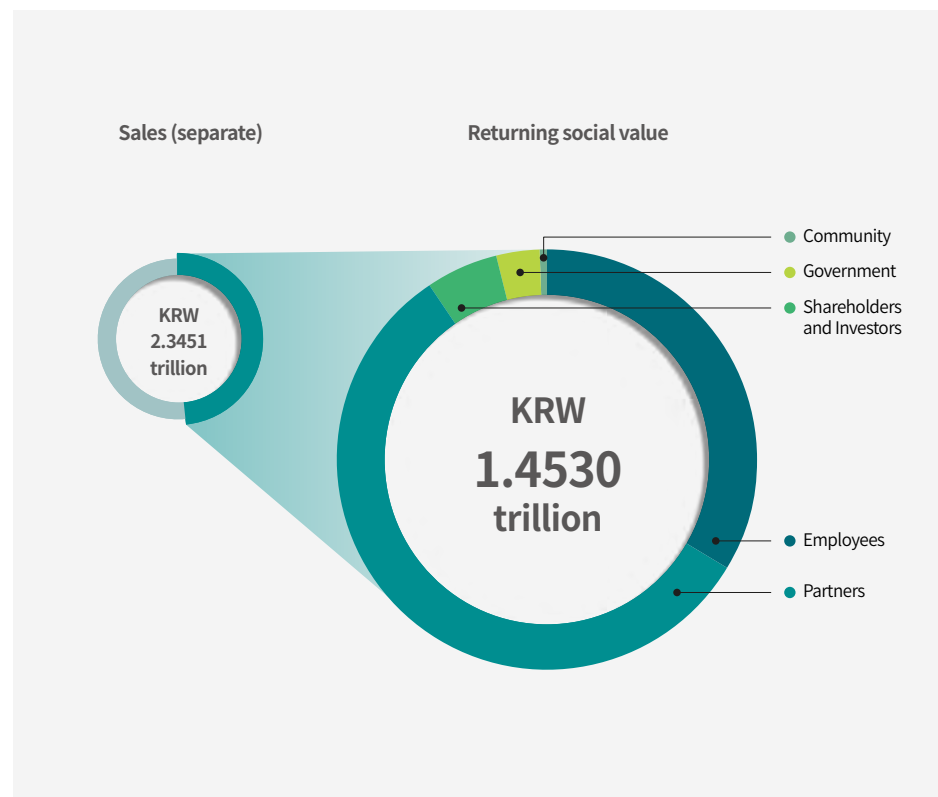
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### Returning social value

Influenced by various stakeholders throughout the entire business process, Lotte Chilsung Beverage, which pursues management activities focused on ESG, directly and indirectly shares the value created with stakeholders during its growth. In 2021, Lotte Chilsung Beverage achieved KRW 2.5061 trillion (consolidated) and KRW 2.3451 trillion (separate) in sales and have distributed KRW 1.453 trillion to stakeholders such as investors, employees, the government, and its local communities. Moving forward, we will continue to do our best to contribute to the sustainable development of our society by creating economic value and sharing the value with stakeholders.





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## ★ Our Business Beverage

Our beverage products have been well-loved by many consumers even during the rapid market and environmental changes. In addition to responding to changing customer preferences, we continue to lead the market by releasing products that considers consumers' health as well as the environment.



### Key Products of 2021

#### Zero Carbonated Drinks

This is a product with 70 years of manufacturing know-how of Chilsung Cider with the taste and aroma of existing products maintained, with zero calories and a clean aftertaste. In the year 2021, these products have led the zero-calorie beverage market as they have been cherished by the consumers.



#### PET Coffee

These bulk-sized coffee products that can be enjoyed for a long time is well-loved by consumers that need long hours of concentration such as office workers and the MZ generation.



#### Label-free Bottled Water

Label-free bottled water of Lotte Chilsung Beverage, ICIS ECO, that was released for the first time in Korea in January 2021, is raising the value consumption of customers that care about the environment by practicing eco-friendly management through resource circulation.



### Portfolio Strategy for 2022

#### Health-oriented

Launched products that display function & entered the customized health-functional food market

##### Carbonated drinks

Cider / Trevi Apple (Functions labeled)



##### Tea

Barley tea/Corn silk tea / Burdock tea (Functions labeled)



#### Health + Taste

• Continued response to Zero trends (Expand categories for market presence)

##### Tams

Tams (Flavor)



##### Milks

Milks



##### Energy

HOT6ix the King



#### Consumer Trends

• Released a variety of products as a response to consumer trends (Expansion of bulk-sized, new products / ECO (Eco-friendly) products)

##### Expanded SKU by category

Latte Holic (Cantata)



O'rganic Fruit Water



20~25%



Less than 11g

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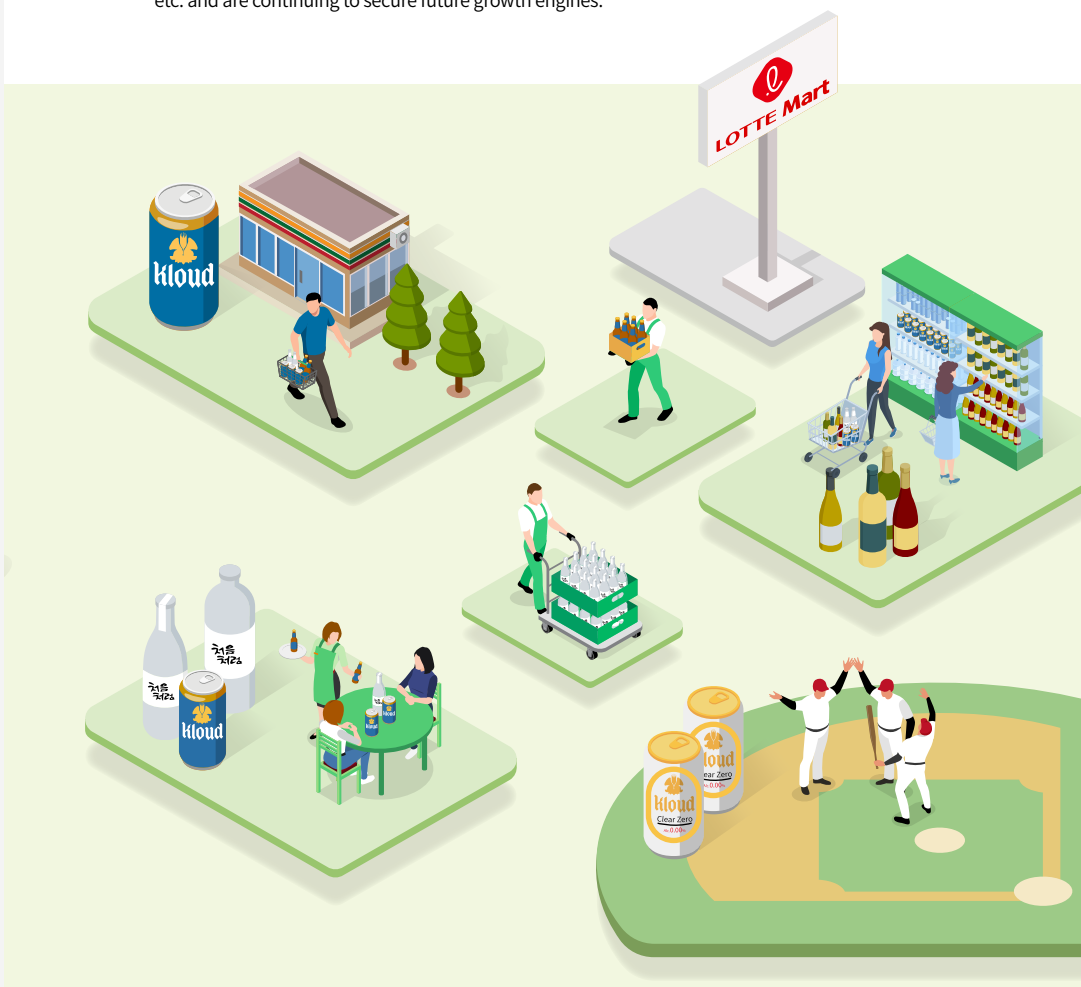
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## ★ Our Business Liquor

Despite the downturn in restaurants, nightlife and other major liquor sales channels with the spread of Covid-19, we were still able to significantly improve the sales and operating income compared to 2020 with strategies such as making improvements to existing products such as Chum-Churum, Kloud etc. and expanding channels to match the drinking alone, drinking at home trends. Also, we launched products with growth quality such as wine, whiskey, RTD, etc. and are continuing to secure future growth engines.



### Main Products of 2021

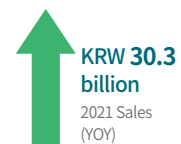
#### Chum-Churum (PET)

Through renewal of the PET bottle that emphasizes low-alcohol and soft characteristics, Chum-Churum received positive responses from the market by responding to consumers who prefer soft soju.



#### Kloud Genuine Draft

The same original gravity method as the existing Kloud and the excellence of 100% All Malt intact, the coolness and freshness of draft beer was preserved through the no-heat method and increased carbonization.



#### Wine

Due to the growing drinking alone, drinking at home trends and increased demands for wine, we built a portfolio that included domestic wine, MAJUANG, as well as popular wines from around the world, which is preferred by a wide range of consumers.



### Portfolio Strategy for 2022

#### Soju

Strengthened for household market, strengthened target products for MZ customers

#### Enhanced marketing for renewed products



#### Beer

Enhanced Kloud Premium, expanded business model collaboration

#### Strengthened Premium



#### Cheongju/RTD

Enhanced cash cow growth, future growth engine secured

#### Response to RTD Market



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★ Our Brand Beverage


 Carbonated drinks

**Chilsung Cider**



- No. 1 Cider in Korea with exhilarating carbonization and refreshing natural lemon lime scent
- Operating label-free eco-friendly product ECO 300PET

**Chilsung Cider Plus**




- Chilsung Cider Plus for a healthy day
- Contains 9.6 g of nondigestible maltodextrin dietary fiber
- ① Can help suppress postprandial blood sugar rise
- ② Can help improve neutral lipid levels
- ③ Can help with healthy bowel activity

**Chilsung Cider Zero**




- Chilsung Cider Zero that can be enjoyed with original flavor and zero calories
- Operating label-free eco-friendly product ECO 300PET

**Milkis**




- Representative creamy carbonated soda drink with the softness of milk and the freshness of carbonization

**Tams Zero**




- A refreshing fruit-flavored carbonated drink with zero calories (Orange, Lemon, Apple, Kiwi, Pineapple)


**Orangina**



- Premium fruit soda drink
- 12% of fruit juice, 2% orange pulp, 4 types of citrus flavors (Orange, Grapefruit, Lemon, Mandarin)


 Carbonated (Pepsi)

**Pepsi**




- Globally recognized brand, possess diverse portfolio

**Pepsi Zero**



- Sugar-free and calorie-free Pepsi with the refreshing and exhilarating taste of existing Pepsi

**Mountain Dew**



- Original American-style flavor, low-carbon premium drink for youths and young adults that prefer high volume of activity

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Juices



**Delmont Cold**

- South Korea's No.1 Juice Brand, Delmont Refrigerated Juice
- No.1 domestic juice brand for 24 consecutive years (K-BPI, 2022)
- With the taste and freshness of fruit maintained through cold chain distribution



**Jeju Mandarin Orange**

- Jeju Mandarin juice made with Jeju mandarin oranges
- Jeju mandarin juice that the whole family can enjoy for its sweetness
- Encourages mutual growth with mandarin farmers through the consumption of Jeju mandarins, the main ingredient



**O'rganic Juice, Fruit water**

- Organic drink for children with Lactobacillus probiotics added to organic fruit water
- Made only with fruit and vegetables that have grown on grounds that have not used chemical fertilizers or pesticides for at least three years
- Designed with self-developed characters 'Knippuni' and 'Akukua'
- Contains plant-based probiotic fermentation water developed by Lotte Central Research Institute

Coffee



**Cantata**

- First premium beans of Korea that can be enjoyed anytime, anywhere
- Optimal balance found in canned coffee and ground coffee



**Cantata Contrabass**

- Bulk-sized coffee for the work-life balance of contemporary people of this generation that need long hours of high concentration. Can carry anywhere and enjoy for a long time with its bulk-size capacity of 500ml



**Cantata Latte Holic**

- Rich sweetness in my hands. Can enjoy richer and sweeter Cantata with higher milk content



**Let's Be**

- South Korea's No.1 canned coffee
- Korea's representative canned coffee that has been loved for more than 30 years after its launch in 1991



**Let's Be Grande**

- Pleasant sweetness that can be enjoyed more abundantly for a longer time in grande size

Tea



**Corn Silk Tea/Golden Barley Tea/Burdock Tea**

- Function-labeled tea drink made of 100% domestic raw materials with added dietary fiber



**Lipton**

- British black tea brand with more than 130 years of tradition, No.1 tea brand worldwide

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★ Our Brand Beverage


 Near water

**2% Peach**




- Near water that contains 5% peach juice that is tastier and sweeter than water

**2% Aqua**




- 15 fruits and vegetables for hydration

 Sports


**Gatorade**



- Sports drink that replenishes water and minerals lost through sweat during exercise that maintains optimal hydration


 Spring Water

**ICIS 8.0**



- 8.0 pink energy that protects my health and the Earth
- Steady improvement for eco-friendliness made with lighter weight, eco-taps, water-soluble glue, etc.
- Natural alkaline water found in nature with an average pH of 8.0

**ICIS Pyeonghwa Park Water / ICIS Jirisan Water**




- Water that has been collected from South Korea's clean areas such as DMZ and Jiri Mountain
- Features smooth feeling going down

**ICIS 8.0 ECO**




- Eco-friendly bottled water with label removed for the first time in Korea
- An exemplary label-free bottled water that encourages proper recycling and reuse efficiency

**Evian**




- Natural premium mineral water from the Alps region
- Optimal mineral balance of hardness of 317 and Ca : Mg = 2.5 : 1


**Volvic**



- Volcanic bedrock water from the Auvergne region of France
- Neutral pH (7.0) Silica 32mg/ℓ (Volcanic bedrock water as the main ingredient)

 Carbonated Water

**Trevi**



- Premium carbonated water with natural fruit aroma and refreshing carbonization
- \* Operating label-free eco-friendly product ECO 300PET

**Trevi Plus**



- Healthy PLUS+ with added dietary fiber to Trevi
- Contains 9.6 g nondigestible maltodextrin dietary fiber
- ① Can help suppress postprandial blood sugar rise
- ② Can help improve neutral lipid levels
- ③ Can help with healthy bowel activity

 Energy

**HOT6ix**



- Nation's No.1 energy drink
- Regular : Caffeine from guarana extract, containing 60mg of Taurine and Arginine
- The King : Even powerful energy drink, containing 100mg of caffeine

 Functional drinks

**Kkaesukkang / Kkaesukkang tablets**



- Hangover relief method from clean Jeju
- Hangover relief method No.2 from clean Jeju Most popular hangover cure

**Bread Barbershop Red Ginseng for kids**



- Red ginseng drink with fruits and vegetables for kids

**Vita Power**



- Drinkable Vitamin C drink with 500mg of Vitamin C per bottle

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★ Our Brand **Liquor**

 Soju

**Chum-Churum**



- Renewed : Jan. 2021
- Frequency : 16.5%

Even smoother feeling going down using water from the foot of Daegwallyeong  
Label shows the bedrock water from the foot of Daegwallyeong through the image of mountains and streams


**Chum-Churum PET**



- Renewed : Jun. 2021

Expresses a soft curved silhouette using Korean ceramics as motif  
Renewed for light and easy storage considering customers who prefer drinking alone or while camping


**Chum-Churum Mild**



- Renewed : Jan. 2021
- Frequency : 15%

Softer and milder soju using water from the foot of Daegwallyeong and lower frequency than Chum-Churum with frequency of 16.5

**Chum-Churum Rich**



- Renewed : Jan. 2021
- Frequency : 20%

Richer soju using water from the foot of Daegwallyeong for consumers who prefer higher alcohol frequency

**Chum-Churum Kkulju**



- Released : Apr. 2022
- Frequency : 15%

Featuring a fragrant beer and honey aroma, a soju that can be easily enjoyed since it's not sweet  
Label designed with a motif of bees and color of a soju bottle

 Craft beer

**OEM Business**



Began beer OEM business in 2020 with a goal of mutual growth through collaboration with craft beer companies  
Flagship products : Gompyo Wheat Beer, Jeju Wheat Ale, etc.

**Craft Beer Auditions**



For the purpose of creating CSV (Create Shared Value) held craft beer auditions for small and medium-sized craft beer companies. Provided opportunities for mass productions upon selection

 Beer


**Kloud**



- Released : 2014
- Frequency : 15%

Kloud is made with fermented concentrate without dilution with water using the original gravity method, and provides a deep and authentic flavor  
The name Kloud is a composite of "K" for Korea and 'cloud', which is similar in appearance to beer foam. Included the hope to provide beer that represents Korea in the product's name


**Kloud Genuine Draft**



- Release : 2020
- Frequency : 4.5%

Through no-heat treatment method and increase of carbonization the product maintains the freshness you feel when you drink draft beer  
Using the same original gravity method as the traditional Kloud and the excellence of 100% All Malt maintains the traditional taste

**Genuine Draft PET (420 ml)**



To provide differentiated convenience for consumers, launched a small capacity of 420ml of transparent, easy-to-recycle PET as the first domestic beer  
Reflects consumers' preference for eco-friendly products

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★ Our Brand Liquor



Cheongju



Chung Ha

- Released : 1986
- Frequency : 13%
- Capacity : 300ml

Rice with more than 30% of the outer skin removed is gradually fermented for a month at a low temperature between 12 and 15 degrees, to get rid of any odd taste

A softer drink with the smell of alcohol removed using a cooling filtration device



Starry Chung Ha Sparkling

- Released : 2022
- Frequency : 7%
- Capacity : 295ml

Sparkling Chung Ha made by blending white wine and carbonization

Sparkling Chung Ha featuring low frequency of 7 degrees and low carbonization to be celebrated and enjoyed on a daily basis



Baekwha Soobok

- Released : 1945
- Frequency : 13%

A representative liquor for Korean traditional ceremonies meaning "long, happy life"

Cheongju with more than 20% of the outer shell of 100% domestic rice shaved, you can feel its unique taste not only by warming it, but also by drinking it cold



Seolhwa

- Released : 1994
- Frequency : 14%

The finest handmade cheongju made by maturing high-grade, 52% polished rice with special yeast that is fermented for a long time at ultra-low temperature and produced in limited quantities

With the meaning of its name of "Snow flower", a Cheongju that goes well in a fine dining environment



Mirim & Plum Wine



Mirim

- Released : 1987
- Frequency : 14%

Cooking wine with frequency of 14% made my mixing rice, liquor, etc. and fermented for more than 25 days

Amino acids and sugars bring out the original taste of ingredients and savory flavor, and alcohol ingredients effectively eliminate the bad odor of the food



Seol Joong Mae

- Frequency : 14%
- Capacity : 360ml

A premium plum liquor with Korean plums in a bottle to bring out the scent and flavor of plums  
Product made by low-temperature percolation to capture the freshness and softness



RTD



Chum-Churum Lemon Rich

- Released : 2021
- Frequency : 4.5% / 7.0%

Carbonated drink with fresh lemon specialty infused with whole lemons to preserve the original taste of lemons

Released 4.5 frequency regular and 7 frequency strong products reflecting the various tastes of consumers



Kloud Hard Seltzer

- Released : 2021
- Frequency : 3%

Emerging liquor category of Hard Seltzer

Zero-sugar carbonated wine with one 500ml can containing significantly lower calories of 85 kcal

A product with fragrant natural mango flavor added that brings out a rich drinking feeling

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★ Our Brand **Liquor**


 **Wine**

 **MAJUANG Cabernet Sauvignon**

- Renewed : Mar. 2022
- Frequency : 13%
- Varieties : Cabernet Sauvignon 100%

Launched in 1977, the longest wine brand in South Korea

Medium body that can be enjoyed daily with rich tannin and silky quality, features a cedar scent from fermented oak

 **MAJUANG Chardonnay**

- Renewed : Mar. 2022
- Frequency : 12%
- Varieties : Chardonnay 100%

The oldest wine brand in Korea launched in 1977


Fresh fruit-flavored daily wine, featuring tropical fruit flavors and vibrant acidity

 **Yellow Tail Shiraz**

- Country : Australia
- Frequency : 13.5%
- Varieties : Shiraz 100%

No.1 in our sales based on single brand and No.1 exported brand from Australia by volume standards

Most loved wine in the world for 10 consecutive years with the best price and great quality


 **Luis Martini Sonoma County Cabernet Sauvignon**

- Country : United States
- Frequency : 13.9%
- Varieties : Cabernet Sauvignon 100%

Wine of history and tradition listed on the Napa Valley Hall of Fame, USA

92 by James Suckling (2018)

Strong but elegant wine with richness of ripe red fruits and nuance of chocolate

 **Pommery Brut Royal**

- Country : France
- Frequency : 12.5%

The world's first Dry (Brut) style Champagne

Used as a celebratory wine at Grace Kelly's wedding in Monaco

Wine with fresh fruit flavors and delicate bubbles

93 by Wine Review, Decanter  
90 by Winer Spectator

 **Whiskey**

 **Scotch Blue 21**

- Frequency : 40%
- Released : Nov. 1987
- Korea's first 21-year whiskey

The deep flavor of the malt and the softness of the grain blended, offers different dimensions of Whiskey flavors

 **Scotch Blue Special**


- Frequency : 40%
- Released : Aug. 2001

Blended with carefully selected top quality 17-year-old scotch whiskey and has soft taste and excellent body that is unlike any other

 **Scotch Blue Pocket**


- Frequency : 40%
- Capacity : 200ml
- Released : Feb. 1998

Mini whiskey that can be enjoyed for the original taste and aroma of Scotch Whiskey conveniently even outdoors

 **Glen Goyne 12**

- Frequency : 43%
- Capacity : 700ml


Highland Single Malt Scotch Whisky offering the scent of pure malt because it is unpeated

 **Langs**

- Frequency : 40%
- Capacity : 700ml
- Release : Feb. 2022

Casual Whiskey that can be enjoyed lightly anytime, anywhere


 **White Spirits**

 **Pallini Limoncello**

- Frequency : 26%
- Release : Jan. 2019

Lemon liquor with low acidity and lemon flavor using only organic lemons from southern Italy

 **Spirits**

 Alcohol of 95% ethanol that is made by fermenting (fermented liquor) and distilling raw material for starch or sugar and distilling crude spirits so that it can be diluted to drink

Main ingredient for diluted soju like the Chum-Churum



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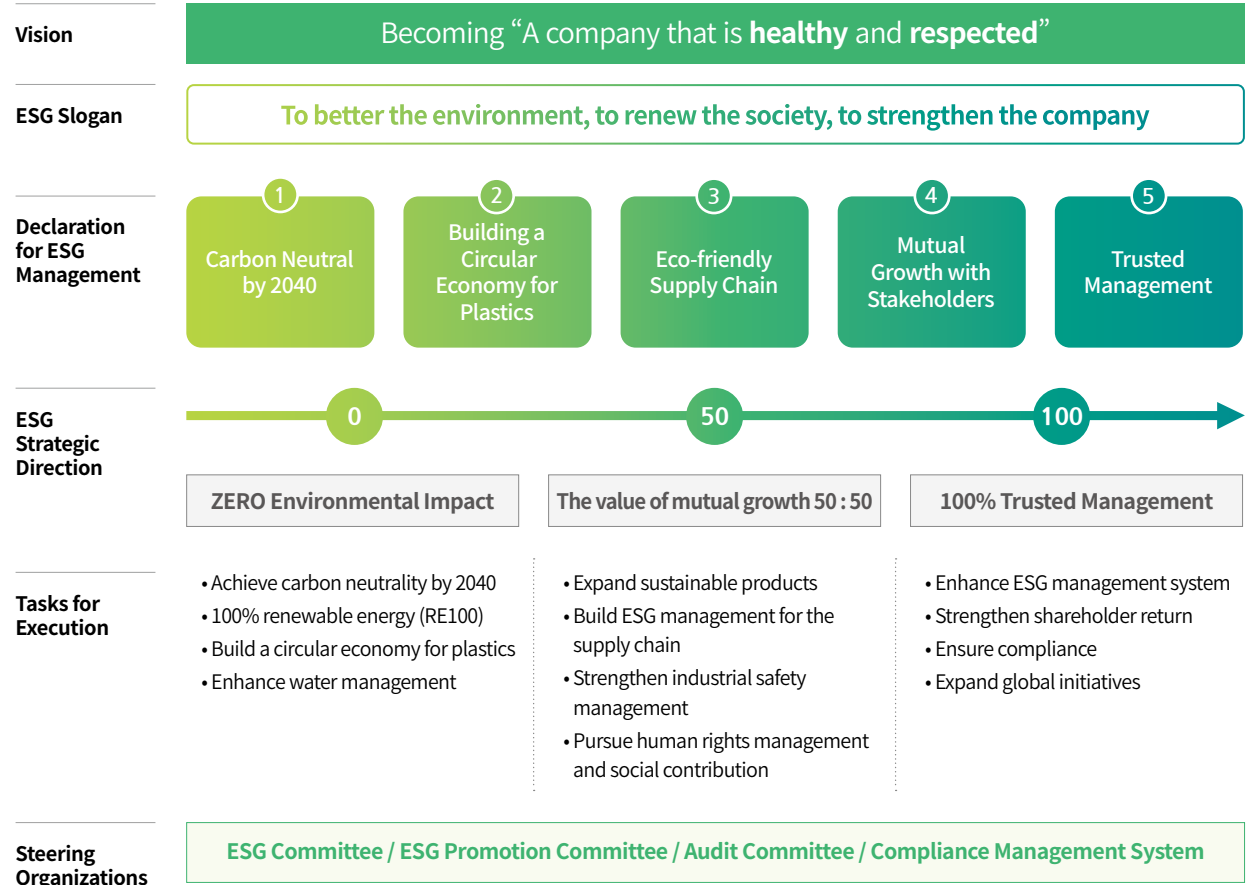
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# ★ ESG Value System

Lotte Chilsung Beverage declared its mission for ESG management in the year 2021 and established a value system that includes strategic goals and tasks for execution that encompasses the overall environment, society, and governance sectors. The vision of “A company that is healthy and respected” expresses Lotte Chilsung Beverage’s value of quality growth that it seeks. With the declaration for ESG management that we disclosed in August 2021, we hope to lead the creation of ESG value with sincerity through continuous innovation and efforts for achieving carbon neutrality, building a circular economy for plastics, establishing an eco-friendly supply chain, growing mutually with stakeholders, and achieving trusted management.



Director of ESG Division, Lotte Chilsung Beverage  
**Managing Director, Jung Chan-woo**

As a company that appreciates water, Lotte Chilsung Beverage has been continuously carrying out various activities for the environment and society. The ESG of Lotte Chilsung Beverage is focused on contributing to the healthy and abundant lives of our company’s customers, employees, and stakeholders. Our declaration to ESG management and the establishment of the ESG Division in August 2021 was the first step that displayed Lotte Chilsung Beverage’s willingness for proactive implementation. In the future, Lotte Chilsung Beverage will uncover and implement strategies that consider the environment as well as the creation of the value of mutual growth from various perspectives, making our society even more worthwhile.

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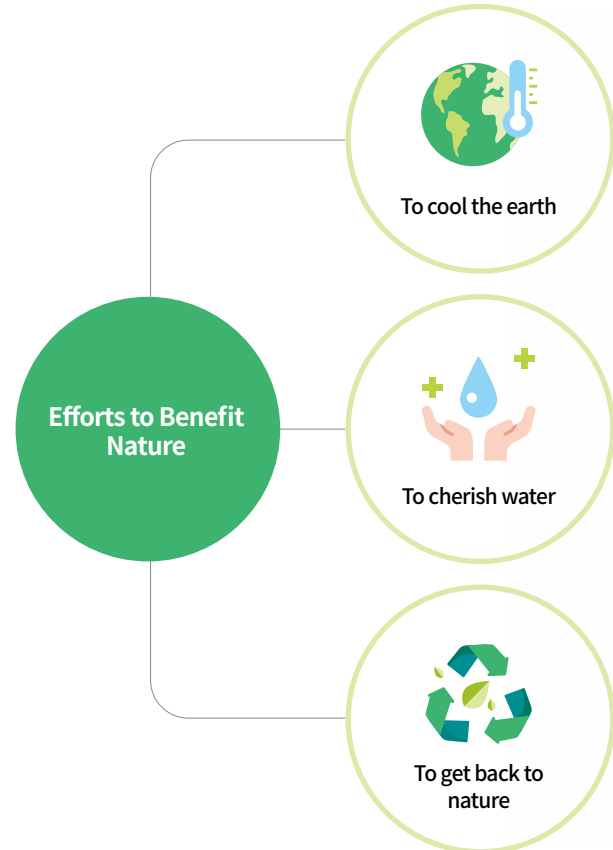
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# ★ Our Goal

To pursue substantial ESG management that not just ends with declaration, Lotte Chilsung Beverage established ESG Goals(Strategic Target) and roadmaps(Future Plan) in the key ESG areas. Based on this, we will systematically promote tasks to reach our goals, and will systematically promote strategies to benefit the nature and our stakeholders.

For Environment	Strategic Goals	Our Future Plan		
		Building the Foundation (2023)	Developing Period (2025)	Maturity Period (2030~)
 <p>To cool the earth</p>	Carbon Neutral	Systematize GHG management at business sites in Korea and overseas	Expand EV / Hydrogen Vehicle Equipment and improve energy efficiency	Apply new energy-saving technologies (CCUS, hydrogen, etc.)
	100% Renewable energy	Expand self-generation by using business sites	Expand use of external PPA	Optimize portfolio to for fulfilling RE100
 <p>To cherish water</p>	Enhancement of water management	Establish water management system (operate water conservation TF, establish water management policy, etc.)	Expand disclosure/certification, etc. such as CDP Water, Water Footprint	Systematic water risk response by business location
	Reinforcement of water conservation activities	Expand social contribution activities related to water protection	Expand water protection area (Marine, consumer campaigns, etc.)	Strengthen water resource protection activities in connection with the community of all business sites in Korea and overseas
 <p>To get back to nature</p>	Establishment of a resource circulation economy for plastics	Expand products applied with m-rPET, no-label, lighter weight, transparent PET	Continue to improve recycling by adopting c-rPET product, lighter weight, etc.	Achieve 30% use of r-PET by 2030
	Waste management at business sites	Achieve more than 95% in recycling rate at all business sites in Korea (ZWTL Gold Rating)	Achieve more than 99% in recycling rate at all business sites in Korea (ZWTL Platinum Rating)	Achieve more than 99% in recycling rate at all business sites in Korea and abroad (ZWTL Platinum Rating)



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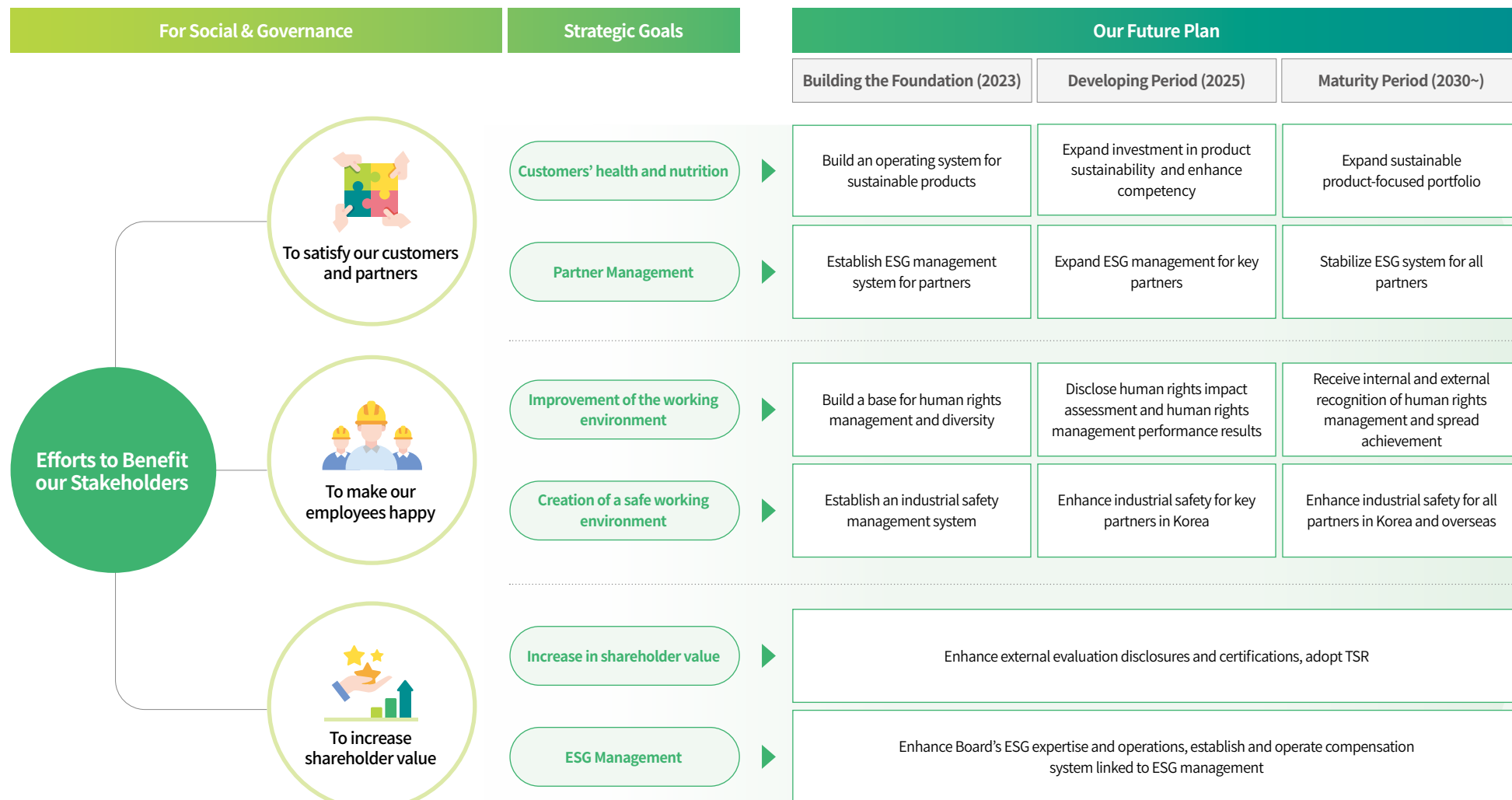
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\* TSR : Total Shareholder Return

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## ★ ESG Management System

### We are launching ESG management for Lotte Chilsung Beverage.

“Lotte Chilsung Beverage contributes to a healthy and happy life. Through continuous investment and innovation to create future value, we will take the leap to become a healthy and respected company that contributes to the abundant and happy lives of our customers, society and stakeholders.”

Today, ESG management has become an essential requirement for longevity of the companies. Since before ESG management became a popular issue, Lotte Chilsung Beverage has been carrying out preemptive ESG activities for eco-friendly management, mutual growth, and compliance management. Furthermore, through the labor and management’s joint declaration on ESG management in August 2021, we proclaimed both internally and externally our willingness to pursue ESG management to create future value of responding to climate change, establishing resource circulation, and a healthy management ecosystem.

As the leading comprehensive beverage company in Korea, Lotte Chilsung Beverage will consider the value of ESG management in all its management activities. We will improve our corporate value by setting clear goals and implementing bold execution, and pursue ESG management with sincerity to ensure that the lives of all who are connected to our company are happy and prosperous.

Companies today need to move away from focusing solely on quantitative growth and instead pursue the value of qualitative growth, and have a great sense of responsibility for the environment and society. As a leading company in the global beverage market, Lotte Chilsung Beverage will need to implement various policies and practices to create a sustainable environment and society. The ESG committee will come up with a variety of ways to lead positive changes in our society and will faithfully perform its roles in order to properly carry out ESG management.



Chairman of Lotte Chilsung Beverage’s ESG Committee,  
**Baek Won-seon**



#### Lotte Chilsung Beverage’s Labor and Management’s Joint Declaration Statement on ESG Management

Lotte Chilsung Beverage and Lotte Chilsung Beverage’s Labor Union will uphold our missions to improve the environment, society, and governance to contribute to the healthy and happy lives of customers, society, and stakeholders. We will **execute ESG management** as follows.

- We agree to -

1. Pursue carbon neutrality through reduction of GHG emissions and implementation of RE100.
2. Build a circular economy for plastics by improving packaging materials, collecting plastics, and expanding r-PET.
3. Build an eco-friendly supply chain through the introduction of our self-developed eco-friendly evaluation system and the management of green supply chain partners, etc.
4. Adopt and actively practice mutual growth programs to increase the value of our customers, employees, and stakeholders.
5. Realize trusted management through compliance and transparent disclosure of corporate information.

In order to practice the above, we establish the ESG Committee under the Board of Directors and pursue ESG management on a company-wide level to enhance company value and contribute to the prosperous lives of humankind.

August 10, 2021

Lotte Chilsung Beverage’s CEO, **Park Yoon-gie** · Lotte Chilsung Beverage’s Chairman of the ESG Committee, **Baek Won-seon** ·  
Chairman of the Labor Union of the Beverage Business, **Kim Kwan-mook** ·  
Chairman of the Labor Union of the Liquor Business Labor Union, **Moon Heung-bae**

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# ★ ESG Management System

## Lotte Chilsung Beverage's ESG Management System

In August 2021, Lotte Chilsung Beverage declared its company-wide commitment to ESG management through a joint declaration ceremony with labor and management. As our mid- to long-term goals, we established achieving carbon neutrality, building a circular economy for plastics, establishing an eco-friendly supply chain, adopting mutual growth programs to increase stakeholder value, adhering to compliance, and exerting transparent company disclosure. For proactive implementation, we established an organization and system.

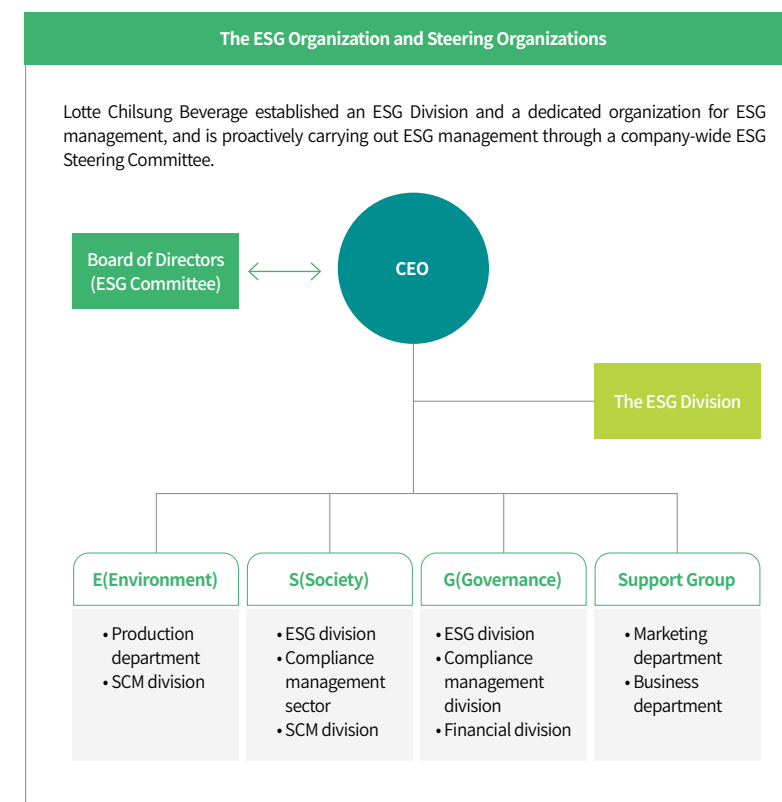
The ESG Committee	The ESG Team	Relevant Departments
<ul style="list-style-type: none"> <li>Decision-making for internal and external key ESG management supervision and management</li> <li>Setting strategic directions for ESG</li> <li>Reviewing major non-financial risks related to environment and society</li> </ul>	<ul style="list-style-type: none"> <li>Supporting the ESG Committee</li> <li>Establishing ESG strategies and collaborating with relevant departments</li> <li>Managing ESG Information and carrying out external assessments</li> <li>Disclosing ESG Information</li> </ul>	<ul style="list-style-type: none"> <li>Executing strategic direction for ESG and goals</li> <li>Monitoring state of implementation</li> <li>Discussing issues such as ESG risks and opportunities</li> </ul>

### The ESG Committee

In August 2021, Lotte Chilsung Beverage established the ESG Committee composed of five independent directors under the Board of Directors. The ESG Committee is the highest decision-making body responsible for making decisions on environmental, social and governance issues, managing ESG risks, and expanding business opportunities. Since its establishment in 2021, the committee has diagnosed Lotte Chilsung Beverage's ESG management activities, established ESG strategies and KPI, approved the publication of the ESG report, and reviewed strategic directions for ESG and reported key tasks for 2022. The ESG Committee is held semi-annually on a regular basis or held as needed in the event of major issues. It is fulfilling its roles and responsibilities so that it can serve as a focal point for substantial ESG management.

### The ESG Team

In July 2021, Lotte Chilsung Beverage established the ESG division and team in its pursuit of ESG management. The ESG team serves the role of identifying demands in ESG from various stakeholders, analyzing issues, managing risks and establishing ESG strategies. The strategy established is set as an ESG KPI for relevant departments, and the team assesses the implementation status of the department and reviews related issues, making sure that ESG is being streamlined company-wide. Also, through proactive internal and external communication on ESG activities, the team ensures that Lotte Chilsung Beverage's ESG management activities can be transparently disclosed by strengthening relevant activities.



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## ★ Key ESG Issues

With its commitment to the sustainable growth of the company, Lotte Chilsung Beverage identifies key issues related to ESG and is systematically managing them. Prior to the publication of the sustainability report, we identified the interests of stakeholders and the impact of the business through a materiality assessment, and selected 10 key issues. The process and results of the materiality assessment conducted to identify such key issues can be seen on pages 87-88 of this Report. We plan on responding to the 10 key issues selected by Lotte Chilsung Beverage for this year in a systematic manner according to the plans established. In accordance with this, Lotte Chilsung Beverage's major response activities and performance and management plans were analyzed and disclosed, and the goals that Lotte Chilsung Beverage can contribute to according to the UN SDGs (United Nations Sustainable Development Goals) were analyzed.

Division	Key Issues	Major activities and performances of 2021-2022	Management plan for the issues	UN SDGs
Environment	Carbon Neutral	<ul style="list-style-type: none"> <li>Joined RE100 as the first domestic food company</li> <li>Adopted test-driving of electric freight vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Achieve carbon neutrality by 2040</li> <li>Strengthen implementation of CDP</li> <li>Expand introduction of electric vehicles</li> </ul>	 
	Eco-friendly Packaging	<ul style="list-style-type: none"> <li>Beer's first transparent PET release - Kloud</li> <li>Released label-free carbonated products, such as label-free carbonated water</li> <li>Established and promoted plans for expanded operation of label-free products (35% in 2021 &gt; 50% in 2022)</li> </ul>	<ul style="list-style-type: none"> <li>Expand eco-friendly packaging</li> <li>Pursue acquisition of 5 new types of environmental performance indicators</li> </ul>	 
	Principles for Water Resource Management	<ul style="list-style-type: none"> <li>Increased efficiency of water use through improvement in process and investment/supplement in equipment</li> </ul>	<ul style="list-style-type: none"> <li>Expand ratio of water recycling rate by year</li> </ul>	 
	Establishing a Product Circulation Economy	<ul style="list-style-type: none"> <li>Received Best Award at Korea Environmental Awards for contribution to increasing recyclability and building resource circulation</li> <li>Carried out up-cycling at sales bases</li> </ul>	<ul style="list-style-type: none"> <li>Expand introduction of r-PET products</li> <li>Expand sales bases subject to up-cycling</li> </ul>	 
Society	Creating a safe and healthy working environment	<ul style="list-style-type: none"> <li>Expanded in-house training requiring participation of employees such as education on human rights and information security</li> <li>Prevented severe damages by establishing safety and health management policies</li> <li>Rewarded performance-based incentives through fair performance evaluations</li> </ul>	<ul style="list-style-type: none"> <li>Systematize the management of safety indicators</li> <li>Expand investment in safety equipment</li> <li>Pursue acquisition of the ISO 45001(Safety and Health Management) certification</li> </ul>	    
	Customer Health and Nutrition	<ul style="list-style-type: none"> <li>Released Cider Zero and other low-sugar beverages</li> <li>Made products to build a portfolio of health functional products</li> <li>Released low-alcohol products with lower alcohol content than existing products</li> </ul>	<ul style="list-style-type: none"> <li>Release sugar-free product lineup</li> <li>Release low-calorie beer, non-alcoholic beer and other functional liquor products</li> </ul>	 
	Product Safety and Quality	<ul style="list-style-type: none"> <li>Trained employees to maintain product quality</li> </ul>	<ul style="list-style-type: none"> <li>Enhance training courses for quality improvement and expand completion rate</li> </ul>	
	ESG Management for the Supply Chain	<ul style="list-style-type: none"> <li>Supported finance, technology &amp; marketing, start-up, training for partners</li> <li>Achieved mutual growth by supporting with constructing safety equipment for forklifts</li> </ul>	<ul style="list-style-type: none"> <li>Build an ESG evaluation management system for the supply chain</li> </ul>	
Governance	Ethical Management	<ul style="list-style-type: none"> <li>Increased awareness of employees' sense of ethics through periodic training on compliance management</li> <li>Operated information counters for public reporting</li> <li>Acquired the ISO 37301(Compliance Management System) certification for the first time in the beverage and liquor industry in Korea</li> </ul>	<ul style="list-style-type: none"> <li>Continuously improve internal ethics awareness and compliance management</li> </ul>	
	Transparent Corporate Disclosure	<ul style="list-style-type: none"> <li>Selected as an Excellent company by IR Awards 2021</li> <li>Adopted CP (Compliance Program) for voluntary compliance to fair-trade</li> </ul>	<ul style="list-style-type: none"> <li>Review introduction of total shareholder return as part of shareholder-friendly policy</li> </ul>	

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A **healthy and respected** company

# Environment — to better the environment

Lotte Chilsung Beverage strives to return the benefits to nature.

Lotte Chilsung Beverage strives to minimize the impact on the environment during the stages of production and sales of its products and systematically manages its performance.

Performance Indicators	2020 Performance	2021 Performance	Plan for 2022
GHG emissions by unit	0.116 tCO <sub>2</sub> eq/kl	0.109 tCO <sub>2</sub> eq/kl	Establish RE100 strategies Improve process for reduction equipment investment, Expand renewable energy and electric vehicles
Water recycling rate	10.1%	8.6%	Improved process, Increase efficiency Operate Water improvement TF
Introduce r-PET products	-	Verification of applicability	ICIS 8.0 Introduce r-PET products (Mar. 2022) Expand r-PET products
Recycling ratio ↑ (Excellent)	0.7% (332 tons)	6.7% (3,633 tons)	Expand transparent PET, label-free products Develop and introduce application of retractable labels
Annual plastic reduction amount (Compared to 2010)	6,217 tons	5,778 tons	Reducing weight of PET (Preform) for carbonated drinks / juices



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## ★ Why 1.5°C?

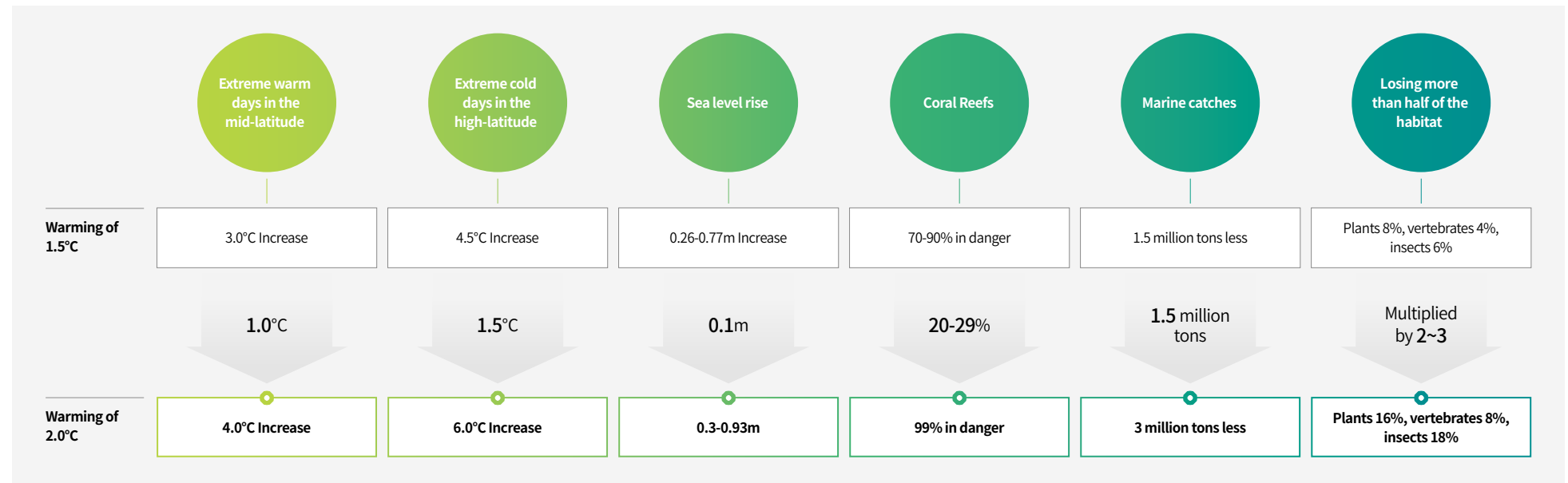
As the abnormal climate phenomenon caused by global warming intensifies around the world, awareness of the severity of the climate crisis and efforts to curb the rise in global temperatures are becoming more important. Climate change is a phenomenon of rising global temperatures caused by highly industrialized industries, which poses an uncontrollable risk for humanity. Astronomical damage is expected to occur, such as threats to health and livelihood, food crises, and water shortages, and ultimately, the Earth may no longer be able to sustain humanity.

With major countries around the world realizing the severity of the climate crisis, they have signed the Paris Climate Agreement in 2015 and are actively working on measures to reduce greenhouse gases as a response to the situation. The Paris Climate Agreement aims to limit the rise of global average temperature to below 2°C by year 2100 compared to the pre-industrialization era, and go even further to set goals and implementation measures aiming for below 1.5°C in temperature rise. Many countries are already agreeing with the Paris Climate Agreement, recognize the seriousness of the climate change crisis and support it, and are promoting measures to achieve carbon neutrality by 2050.

**Lotte Chilsung Beverage also declared its commitment to pursue Net Zero in carbon emissions by 2040 to suppress the global rise in temperature to below 1.5°C in line with the international climate response. To this end, the company joined the RE100 (Dec. 9, 2021) as the first in the food product industry, and hopes to achieve carbon neutrality by transitioning to 100% renewable energy by 2040 and adopting technologies to reduce energy consumption.**

To reduce GHG emissions, top management's willingness to implement these practices, stakeholder cooperation, and cost investment from a long-term perspective are essential. Lotte Chilsung Beverage is establishing a step-by-step system to overcome the climate change crisis and to transition into a sustainable carbon neutral society, and is conducting constant research and development to build cyclical processes throughout the supply chain, production, consumption, and waste resource regeneration. It is our company's mission to contribute to a healthy and prosperous life for future generations, and to this end, all employees of Lotte Chilsung Beverage will exert their best efforts to ensure that our planet is cherished and protected.

### Comparison of impacts upon global warming of 1.5°C and 2.0°C



\* Source : National Weather Service "Special Report on Global Warming 1.5°C"

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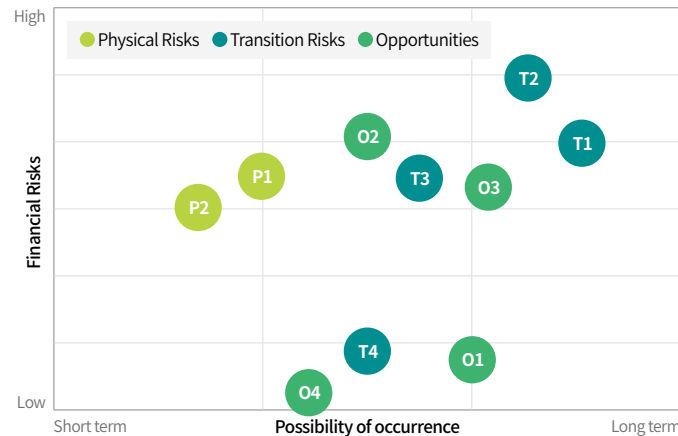
A healthy and respected company

# ★ Climate Change Risks and Opportunities

## Responding to Climate Change Risks and Opportunities

Lotte Chilsung Beverage considers impact on management due to climate change a significant management issue and plans to respond appropriately to pursue the company's sustainable growth. To this end, Lotte Chilsung Beverage identifies risks and opportunities in management that can arise from climate change, and takes into account the severity and urgency of the issues to reflect this in its company-wide strategies. Lotte Chilsung Beverage has determined increased costs due to regulations on GHG levels and the use of plastic in packaging, as well as impacts on supply chains from the rise in sea levels as major risks caused by climate change. In response, we also identified new opportunities such as expanding use of renewable energy and recycled plastic as well as diversifying the company's product portfolio. In order to more clearly communicate to stakeholders on identification, evaluation, and response strategies on these climate risks and opportunities, Lotte Chilsung Beverage declared its support for TCFD in August 2021 and reports relevant information in its 2021 Sustainability Report according to the TCFD recommendations.

## Climate Change Risks and Opportunities Management Matrix



Division	NO	Risk Factors	Impact (Financial / Non-Financial)	Response Activities
Physical Risks	Acute P1	Global supply chain issues due to physical impact	- Impact on supply and demand of raw materials from the global agricultural supply network - Productivity issues due to floods, heatwaves, etc.	1) Securing alternative supply chains for raw materials to respond to supply chain issues caused by weather changes 2) Efforts to maintain optimized working conditions, such as establishing safety management guidelines for workers in case of heatwaves
	Chronic P2	Natural disasters risks (Typhoons, floods, heatwaves, etc.)	- Sea level rise → Risk of flooding of business premises and costs needed for transferring - Lack of water resources due to water stress, reduced productivity	1) Research on response scenarios for climate change : securing water sources, monitoring long-term patterns on sea level rise, etc.
Transition Risks	Policy / Regulation T1	Stricter reduction regulations for GHG	- Increase in costs of reduction (High efficiency equipment, electric vehicles, etc.) - Increase in costs for purchasing global GHG emissions credits in pursuit of carbon neutrality	1) Setting GHG reduction targets : GHG reduction-related 2040 Carbon Neutral, RE100 goals 2) Increasing energy efficiency : discovering new investment projects such as building smart factory and automatic logistics centers 3) Reducing the transportation sector : step-by-step GHG reduction by setting targets for transitioning to electric vehicles
	T2	Regulations on using plastic packaging	- Increased investment and operating costs to enhance plastic recyclability	1) Enhancing plastic recycling : expanding no-label, eco-taps and transparent PET application, applying transparent PET for the first time in the liquor industry 2) Reducing plastic consumption : reducing product weight, expanding use of recycled PET, reducing the use of petroleum-derived plastic raw materials, etc.
	Market T3	Increased consumer preferences on eco-friendly products	- Impact on sales due to changes in consumer preferences	1) Expanding products applied with carbon labelling 2) Enhancing eco-friendliness in the overall value chain by calculating and managing Scope 3 emissions
	Reputation T4	Increased needs for corporate social responsibility	- The need for companies' proactive response to environmental issues - Impact on sales due to rising/falling customer trust	1) Recognizing and managing climate change response performance as an important achievement of Lotte Chilsung Beverage's management - CEO ESG performance assessment : enhancing company-wide responses by reflecting non-financial performance, including climate change response 2) Setting and implementing global climate change response goals : RE100, Global initiatives such as joining UNGC
Opportunities	Resources O1	Expanding renewable energy	- Strengthening the ecosystem of related domestic and foreign industries through active use of renewable energy and contributing to achieving global carbon neutrality	1) Expanding renewable energy : discovering renewable energy businesses in Korea and abroad and strengthening connections
Energy O2	Growth in industries associated with recycled plastics	- Reducing costs by reducing product weight and packaging - Enhancing company reputation by using eco-friendly products	1) Strengthening activities to build a recycled PET circulation system with chemical and distribution companies following the expansion of plastic recycling	
Products / Services O3	Growing demand for eco-friendly products Increased interest in health-functional foods (low-sugar products, well-being products)	- Increasing sales through eco-friendly, sustainability-enhancing products	1) Building a life cycle portfolio - Analysis of preference trends across life cycles of customers such as organic, low-sugar products, low-calorie products, and health-functional foods	
Market O4	Changes in the market environment Increase in single-person households Increase in preference for small-capacity products	- Possible to build various forms of flexible price promotions, strategies - Mutual growth with companies based on release of collaborative products	1) Launch of eco-friendly products based on R&D of eco-friendly packaging materials (r-PET, etc.) 2) Implementing and expanding PET bottle collection services for used water bottles 3) Promoting and hosting climate change response campaigns and events (ICIS 8.0 X Sungsil Graphics Campaign, regular delivery of eco-products)	

\* TCFD : Task force on Climate-Related Financial Disclosures

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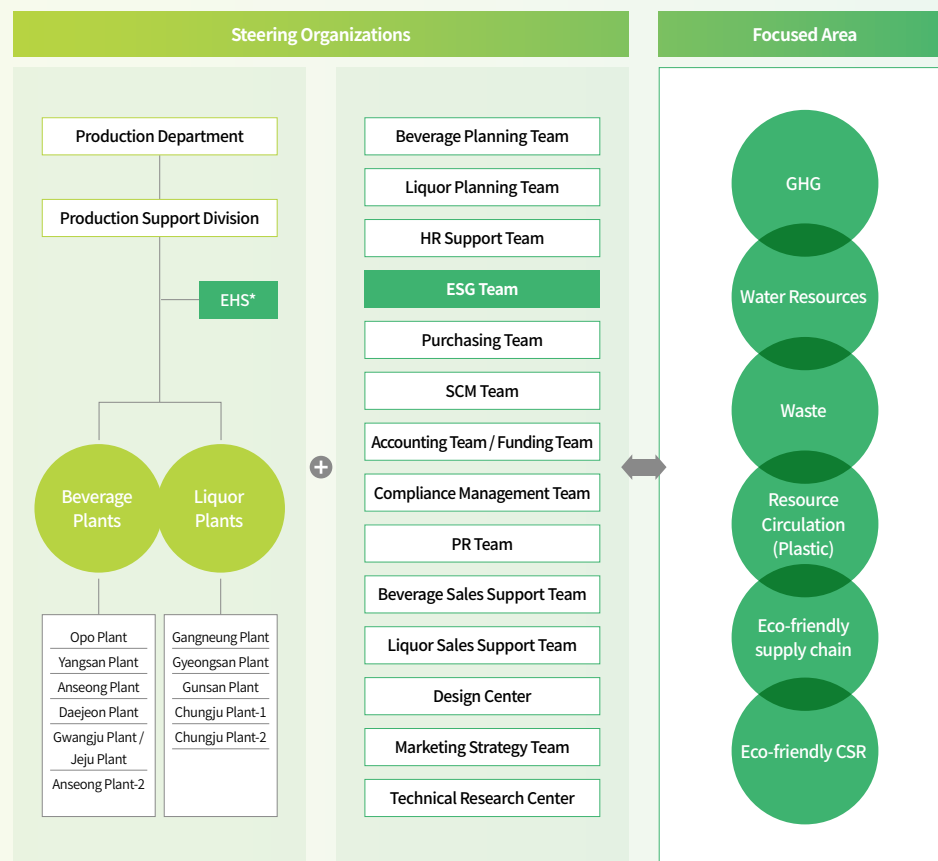
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Appendix

# ★ Environmental Management System and Carbon Neutral

## Environmental Management System

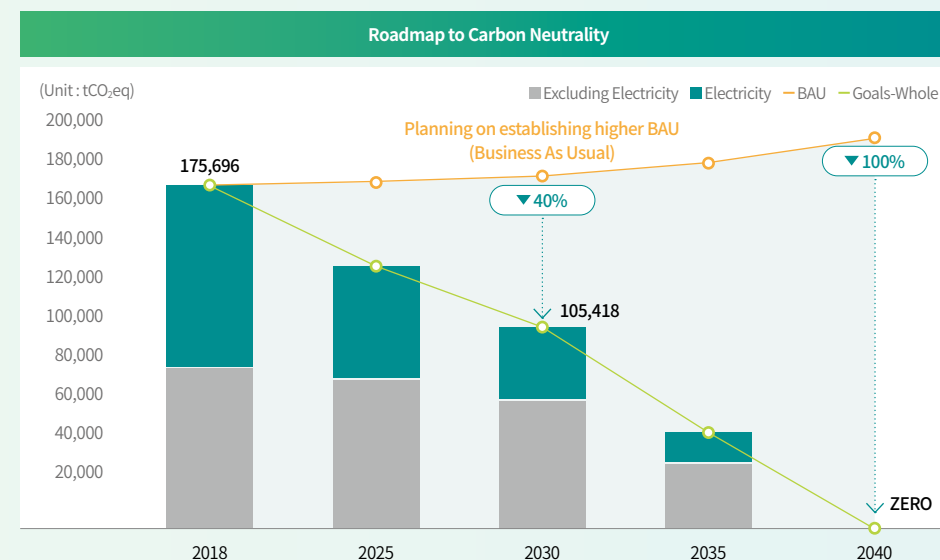
Lotte Chilsung Beverage operates an environmental management system to minimize the impact on the environment. We establish environmental goals that reflect environmental issues and stakeholders' opinions and pursue practical tasks. To improve factors that can affect the environment throughout corporate activities, such as R&D, purchasing, production, and sales of products, we conduct internal and external communication with the leadership of the EHS Team, and review potential impacts on the company and reflect this in the company's management strategy.



\* EHS : Environment Health Safety

## Roadmap to 2040 Carbon Neutral

Lotte Chilsung Beverage seeks to systematically promote implementation tasks that are appropriate for the time by establishing a roadmap for achieving carbon neutrality. Lotte Chilsung Beverage joined RE100 as the first in food industry to achieve carbon neutrality and plans to transition electric energy to 100% renewable energy by 2040. Also, through investment in facilities to realize 2040 Carbon Neutral, we are pursuing installation of solar panels, self-generating power, and transition to electric vehicles. Moving forward, Lotte Chilsung Beverage will research new carbon emission reduction technologies with a variety of stakeholders to achieve the 2040 Carbon Neutral as well as the RE100 goals.



- Short term**
  - Advancing the environmental management system (Strengthening the IT management system)
  - Transitioning to electric vehicles (passengers, forklifts)
  - Improving equipment energy efficiency
  - Expanding self-installation of solar panels
- Mid term**
  - Expanding the scope of environmental management systems (including overseas business sites)
  - Transitioning to electric vehicles (passenger, vans), CCUS, hydrogen combustion, etc.
  - Reviewing energy-saving technologies
  - Expanding Third Party PPA
- Long term**
  - Transitioning to electric / hydrogen vehicles (medium to large cargos)
  - Introducing/expanding new energy-saving technologies
  - Optimizing portfolio of RE100 measures (PPA, REC etc.)
  - Expanding carbon offsets in Korea and abroad

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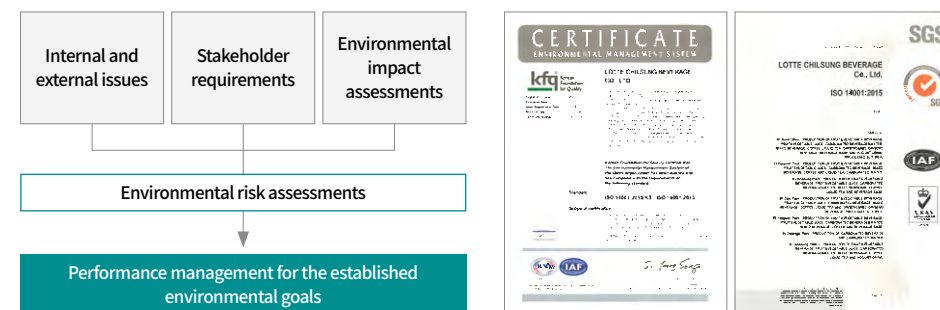
## Environment Managing System

To respond to climate change risks, Lotte Chilsung Beverage systematized the ESG Team, the EHS Team, the safety management team, and the department in charge of each plant for environmental management. Lotte Chilsung Beverage identifies and evaluates the environmental aspects of climate change risks on the environment in accordance with environmental management regulations. The ESG team has established CEO-level ESG KPIs and are working with each department to achieve these goals, and the safety management team has established guidelines to implement company-wide responses to climate-related emergencies. In the event of a climate change risk on the business premises, we have established a system for immediate mandatory reporting to the EHS team and are making efforts to establish and implement energy and water conservation projects to reduce greenhouse gas generation each year. The EHS team reviews the feasibility of the targets established by the business sites and checks and verifies management on environmental pollutant emissions to fundamentally reduce climate risks.

Responsible Team	Roles and Responsibilities
ESG Team	<ul style="list-style-type: none"> <li>Implements company-wide collaborations related to ESG</li> <li>Manages execution of CEO-level ESG KPI and responds and discloses ESG assessments</li> <li>Reports to the executives, Board of Directors, and the ESG Committee</li> <li>Responds to ESG global initiatives, publishes the sustainability report</li> </ul>
EHS Team	<ul style="list-style-type: none"> <li>Manages environmental disclosure / assessment data as well as GHG emission regulations</li> <li>Improves business environment and manages GHG emission reduction activities</li> <li>Manages RE100 fulfillment-related contracts, transactions, and performance</li> <li>Carries out internal assessments and inspections of environment management at business sites</li> </ul>
Safety Management Team	<ul style="list-style-type: none"> <li>Establishes response guidelines for emergency climate risks</li> <li>Manages risks in responding to climate change</li> </ul>
Environmental Management for Business Sites	<ul style="list-style-type: none"> <li>Manages environmental pollutants (water quality, air, waste, GHGs) and legal responses</li> <li>Implements reduction of pollutant emissions at business sites</li> <li>Reports to the EHS team and responds in case of risks</li> </ul>

## Environmental Management System

Lotte Chilsung Beverage operates an in-house environmental management system in accordance with the requirements of ISO 14001, an international standard for environmental management system acquired by all of its beverage and liquor plants. We strive to continuously minimize negative environmental impacts through analysis of internal and external issues and stakeholder requirements and periodic environmental impact assessments to identify environmental risks and reflect them into our environmental goals. Also, we conduct internal assessments at least once a year to check the compliance status to legal requirements and strive to continuously improve the system.



## Environmental Management Policy

Lotte Chilsung Beverage established the “Environmental Management Policy” as a company guideline to establish standards for responding to climate change and to clarify the contents of tasks.

- We will set improvement measures for proper operation of environmental management.
- Tasks that can have a significant impact on the environment will be carried out by qualified personnel or by personnel that have completed prerequisite training.
- “Tasks that can have a significant impact on the environment” are defined as tasks that require qualified personnel in environmental related laws, tasks identified as important environmental assignments and tasks where emergency situations are likely to occur.

Lotte Chilsung Beverage recognizes the importance of greenhouse gas management and we encourage personnel that has obtained certificates related to greenhouse gas to appoint his qualifications, provide allowance and voluntarily participate at business sites, to have professional managers in place.

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### Membership in Global RE100\*

In December 2021, Lotte Chilsung Beverage joined the global RE100 as the first in the food industry. RE100 is a global initiative to procure 100% of a company's electricity from renewable energy sources. Lotte Chilsung Beverage aims to achieve RE100 by 2040.

Renewable energy includes photovoltaic, solar, wind power, hydropower, geothermal, biomass, biogas, and fuel cells using green hydrogen. In order to convert to 100% renewable energy, companies can use energy that has been generated only through renewable energy or purchase REC (Renewable Energy Certificate) that is equivalent to the amount of energy used or consumed.

In June 2021, we signed an "MOU agreement for mutual collaboration to pursue RE100" with Korea Industrial Complex Corporation, KEPCO Energy Solution, and Smart Energy Platform and established a roadmap to expand GHG reduction activities and adopt renewable energy as an effort to effectively achieve our goals.

\* RE100 : Renewable Energy 100%



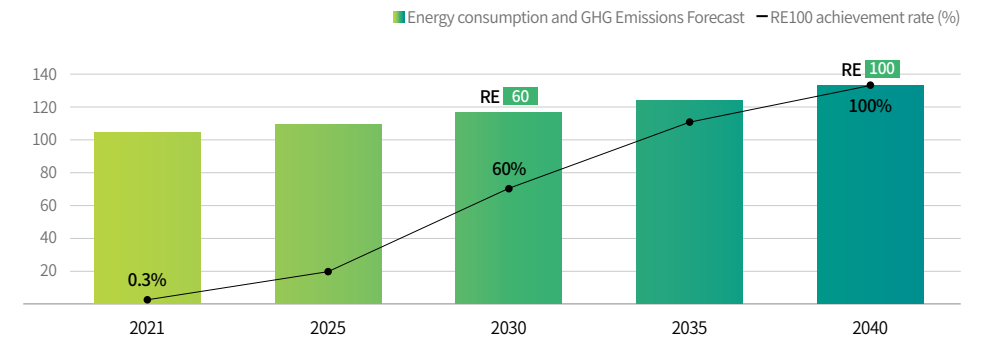
MOU agreement for mutual collaboration to pursue RE100

### Installation of Solar Panels and Transition to Self-generated Energy

To achieve RE100 by 2040 and to transition to consumption of renewable energy, Lotte Chilsung Beverage established a roadmap and are conducting a feasibility review. Currently, the five measures for RE100 include a Green Premium, purchasing REC(Renewable Energy Certificates), third party PPAs(Power Purchase Agreement), equity investment, and self-generation. Effective implementation of Lotte Chilsung Beverage identified by the feasibility review includes purchasing certificates, PPA, and self-generation. However, instead of transitioning to renewable energy simply by purchasing certificates, we are checking to replenish a percentage of renewable energy through proactive investments.

We installed solar panels with capacity of 30.6KW at the Chungju plant of Lotte Chilsung Beverage, and solar panels with capacity of 433.2KW at the Anseong plant, thereby kicking off our efforts to transition to renewable energy. In order to achieve RE100 in 2022, we are conducting a feasibility review to convert the amount of solar power into self-generating power at the Anseong plant, and we are additionally pursuing the expansion of the introducing solar equipment at the Anseong injection molding plant. We plan to expand solar power through the use of idle land at our business sites, review the safety of building structures, and analyze power usage patterns to procure 100% of the power used from renewable energy.

#### Roadmap to achieve RE100 (Unit : thousand tons CO<sub>2</sub>)



Solar panels in the power section



Solar panels in the packaging section



Solar panels at parking lots

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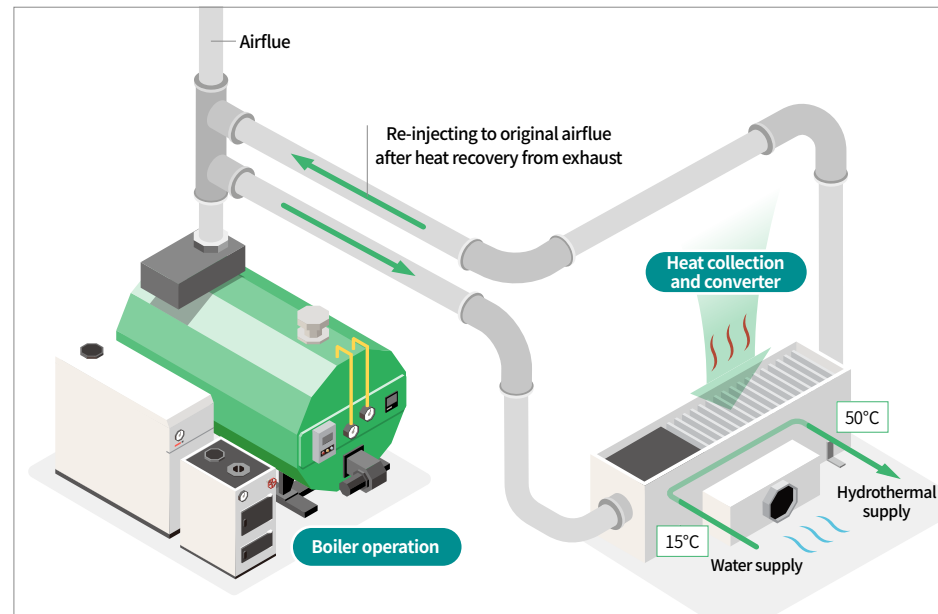
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### GHG Emission Reduction Activities

To achieve our carbon neutral goals by 2040, Lotte Chilsung Beverage is committed to GHG reduction efforts. By replacing steam traps, replacing condenser piping and boilers, and improving the efficiency of each equipment, we aim to reduce greenhouse gas and energy at each business site, setting reduction goals and monitoring and managing them.

Lotte Chilsung Beverage signed an agreement with GS Power and with SEP\* to pursue ESGO (Energy Service Company) businesses as a part of our efforts to carry out GHG reduction activities. In 2021, as part of the ESCO business, we replaced the economizer of boilers and adopted a heat recovery system at the Opo plant. By replacing outdated economizers, we increased the efficiency of the boiler operation to reduce the amount of greenhouse gas emissions, and we collected heat generated during the operation of steam boilers to increase the temperature of the process water. We were able to reduce 205,000 Nm<sup>3</sup> in energy and reduced 450 tons CO<sub>2</sub> of greenhouse gas emissions. By expanding this business, we will pursue energy efficiency business at the Anseong plant and Daejeon plants in 2022, striving not only to reduce GHG emissions, but to fulfill our 2040 carbon neutral goals through mutual growth with partner companies by collaborating with energy companies.

#### Heat Recovery System



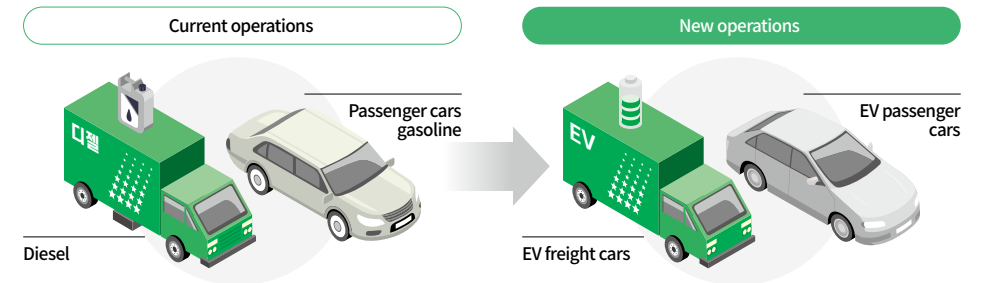
\* SEP : Cooperative body of mutual collaboration among Korea Polytechnic University and 10 companies specializing in energy

### Introducing Eco-friendly Electric Vehicles

Lotte Chilsung Beverage operates a product sales organization and possess approximately 2,500 units of passenger cars, cargo, freight, etc. Carbon emitted on the road are determined by emissions from vehicles, so it is necessary to convert internal combustion engines to eco-friendly vehicles. Lotte Chilsung Beverage is pursuing the transition to future mobility according to the government's low-carbon policy through gradual expansion of electric vehicles.

Since August of 2021, we have preliminarily introduced electric freight vehicles which are currently in operation at some branches, and have newly installed electric charging stations at the Anyang, South Daegu, and North Kwangju branches. Currently, we have completed the conversion of 79 of 508 vehicles (15.6%) including freight and passenger vehicles that are convertible to electric vehicles. In the future, we plan on introducing eco-friendly electric vehicles for the remaining vehicles, passenger cars, and forklifts at the right time to ultimately achieve zero internal combustion engine vehicles. When we convert to electric vehicles for all passenger cars, freight cars, and forklifts currently released as electric vehicles by 2025, we predict that we will be able to reduce an accumulated amount of 1,000 tons of GHG emissions. In addition, we plan to expand the installation of electric vehicle charging stations in association with electric vehicle charging operators.

#### Plans to introduce electric vehicles

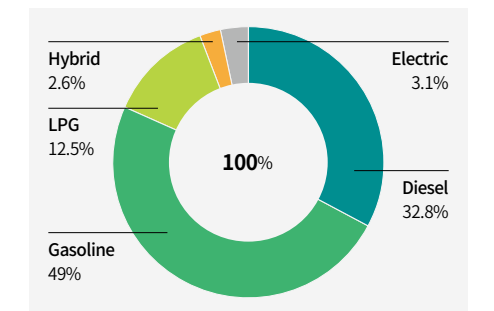


#### Pursuing zero internal combustion engine vehicles

Division	2022	2023	2024	2025	After 2030
Passenger cars					
1t					
3.5t					
5t					
Small passenger cars, vans					
Forklifts					

※ For some freight cars and vans with dotted lines, we will make gradual transitions through internal conversion plans after the release of electric vehicles

#### Currently-owned vehicles



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## Response to Climate Change in Supply Chains

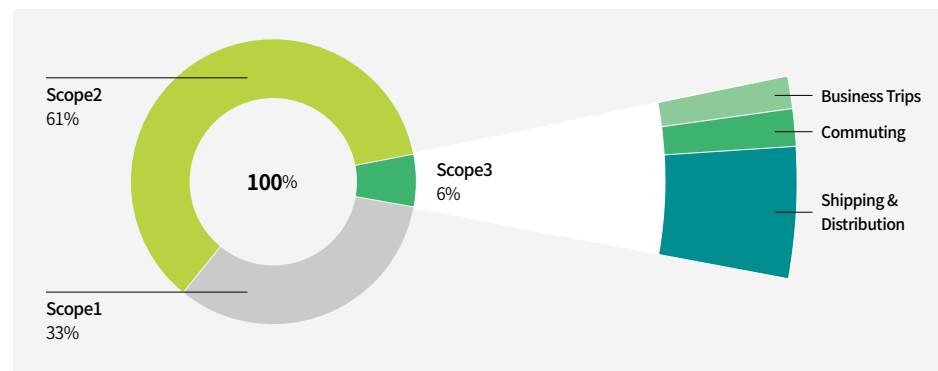
Lotte Chilsung Beverage calculates GHG emissions by sector (Scope 1-3) and carries out reduction efforts to achieve carbon neutrality. Scope 3, a sector we calculate GHG emissions is for indirect emissions that occur throughout the overall value chain at facilities that the company does not own or control, and includes emissions from logistics, business trips, suppliers and use of products.

To achieve carbon neutrality, management of GHG emissions on a wider scale is required. Therefore, it is essential to identify Scope 3 emission levels and to establish reduction measures. Lotte Chilsung Beverage hopes to identify and reduce Scope 3 emissions from various sources of emission including raw materials, packaging materials, logistics and consumers' product consumption. Currently, we are preparing to carry out ESG assessments of the supply chain of top tier companies that are associated with Lotte Chilsung Beverage. For the current year of 2021, we have calculated Scope 3 emissions from employees' commuting, business trips, and transportation that can be managed internally by the company, and the emissions totaled 10,662 tons CO<sub>2</sub>. Moving forward, we will upgrade the calculation of Scope 3 emissions and plan and manage total GHG emissions to realize carbon neutrality.

### Scope 3 calculation range



### GHG emission ratio by Scope in 2021



## Expand Acquisition of Environmental Performance Indicators

Lotte Chilsung Beverage is striving to contribute to resource circulation by producing eco-friendly products. Through certifications of environmental performance indicators, Lotte Chilsung Beverage is labeling its products with their environmental impacts from the production stage to the disposal stages. Currently, we received certifications for the 500ml and 1.5L Chilsung Cider products and have disclosed their carbon emission amounts. In the future, we plan to proactively expand certifications of environmental performance indicators for products such as Cantata coffee, spring water, tea, and liquor products to provide environmentally friendly value.



Division	Environmental Performance Indicators						
	Carbon Footprints	Resource Footprints	Impact on Ozone layer	Acid Rain	Eutrophication	Photochemical Smog	Water Footprints
Unit	g-CO <sub>2</sub>	g-Sb	g-CFC 11	g-SO <sub>2</sub>	g-PO <sub>4</sub> <sup>3-</sup>	g-C <sub>2</sub> H <sub>4</sub>	L-H <sub>2</sub> O
Chilsung Cider 250ml	94.4	0.61	0.00011	0.4	0.15	0.19	3.02
Chilsung Cider 1.5L	360.8	6.9	0.107	1.7	0.74	1.94	18.95

### Environmental Performance Label Certification Plan



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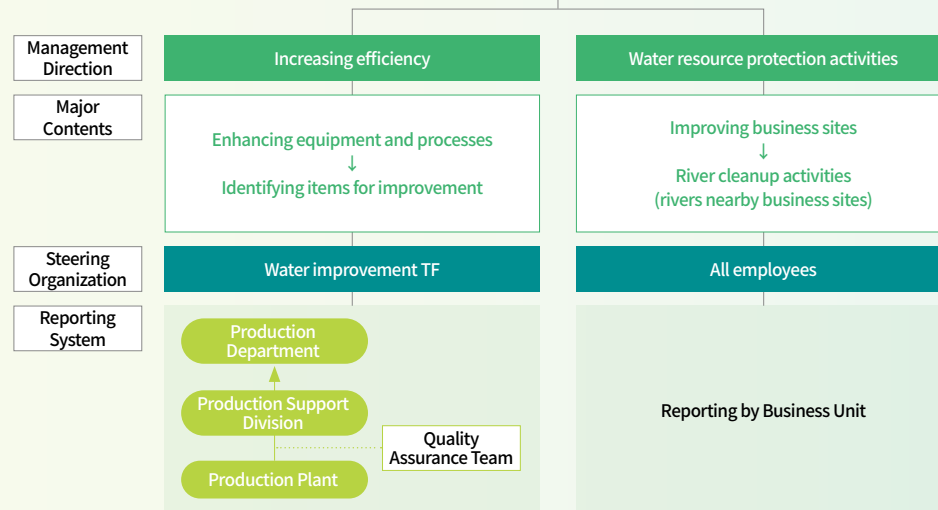
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Appendix

# ★ Water Management

As Lotte Chilsung Beverage operates a business that utilizes water, we are striving to regard water not just as a resource needed for production but from a “water source” point-of-view, and are exerting efforts for long-term and systematic management. Internally, in order to increase the efficiency of use and the reuse rate, we are in the process of discovering improvements to be made around the business sites, and we are also promoting activities to conserve the water resources around the business sites to return the value of the water used by Lotte Chilsung Beverage back to nature.



## Increasing Water Efficiency

We are focusing on increasing the reuse rate to increase the efficiency of the precious water resources. In order to increase internal efficiency, we are enhancing equipment and processes and are pursuing membership in global initiatives which is a systematic resource management TOOL.

	2021	2025	2030
Water by unit (L/L)	3.3	3.2	3.0
Reuse rate	8%	10%	20%
Management TOOL			
Methodology	Pre-Treatment	USE	Post Treatment
Reflecting weighing, creating data-recycling	Weighing, standardizing water	Enhancing CIP standard	Reusing processed water (wastewater)
Installing collection tanks		Detailing production plans (continuous production of the same items)	Installing recycling of treated water
Managing circulated water	Reusing RO concentrated water	Building a collection system at the liquor plants	Building a Total Water Management system
Optimizing washing	Installing facilities that can use rainwater		
Using discharged wastewater, rainwater, etc.			

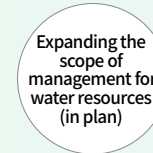
\* CDP : Carbon Disclosure Project, AWS : Alliance for Water Stewardship Certification

## Water Conservation Activities



1 Company, 1 River

Water resource conservation activities in which employees participate, such as river cleanup activities and throwing EM (Effective Micro-organism) mud balls are carried out at rivers nearby the business sites.



Marine environment purification activities

We hope to carry out purification activities not only near the business sites but also take interest in the ocean where the water we use is finally discharged to.

Consumer campaigns

We want to conduct direct consumer water conservation campaigns beyond conducting direct purification activities  
Example) Collaboration with municipalities in drought



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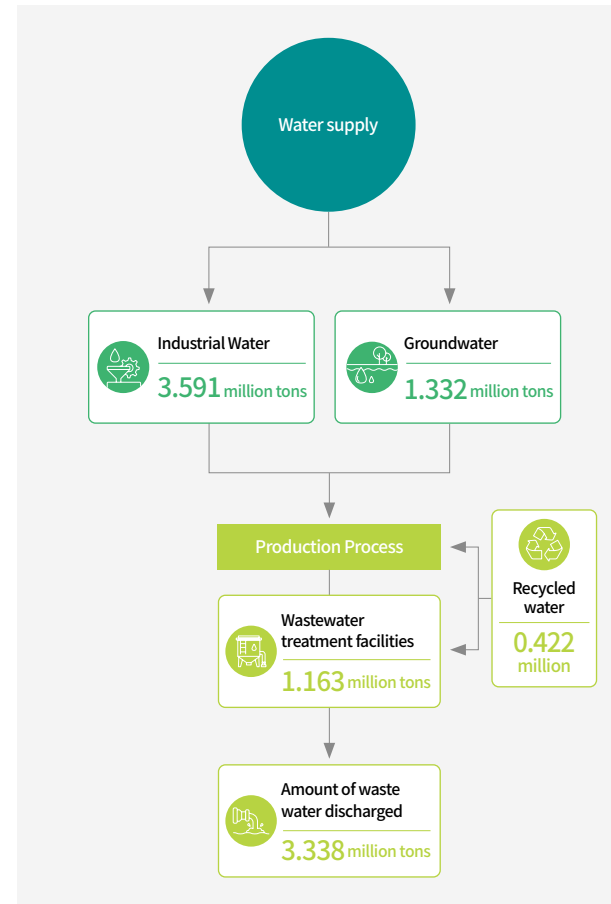
## Water Management Activities

As a beverage manufacturer, Lotte Chilsung Beverage uses a great amount of water resources. Accordingly, we recognize the value and importance of water resources, and therefore established water reduction goals and water improvement plans for each plant, and are managing performance every month. For water resource management, we are running a TF for water improvement and are exerting our best efforts towards the improvement activities through investment in expenses. Each personnel and managers for water purification and wastewater and the quality assurance teams at each plant work together to establish improvement items for the water utilization processes, classifying effectiveness by improving each unit, improving recycling rates, and reducing costs and systematically manages them. In addition, we provide incentives for plants that have selected and managed effective water conversation projects so that personnel currently on fields can actively participate in improving water use. Moving forward, Lotte Chilsung Beverage hopes to contribute to water management and resource circulation more systematically by enhancing the water management sectors.

### Water Management System



### Water Flow Chart

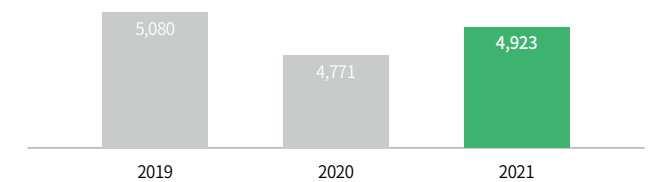


### Water Management Case Examples

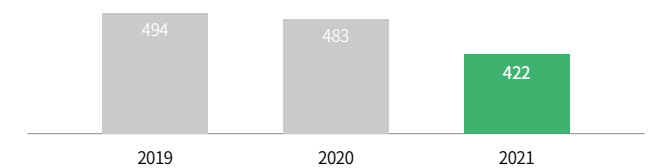
Three items from the beverage plants and four items from the liquor plants were selected as items for water improvement in 2021 and reduction efforts were pursued. As a result, we reduced 27,000 tons of water during the year.

Division	Case Examples of Improvements Made
Daejeon Plant	First stage improvement for Balance Tank Over Flow
Yangsan Plant	Improvement of RO CIP (Reverse Osmosis Clean In Place) for water purification rooms (6 times→4 times) Improvement of water leakage from storage tanks of UF (Ultrafiltration) water
Chungju 2 Plant	Change in RO (Reverse Osmosis) flushing cycle (4 hours→8 hours) Change in term of activated carbon filter sterilization cycle (2 times/week→once/week) Reduction in use of backwash water due to reduced ultrafilter use Collection of condensate water by replacing heat exchanger for CIP (Clean In Place) for the PET line

Amount of water consumed (Unit: 1000 tons)



Amount of water recycled (Unit: 1000 tons)



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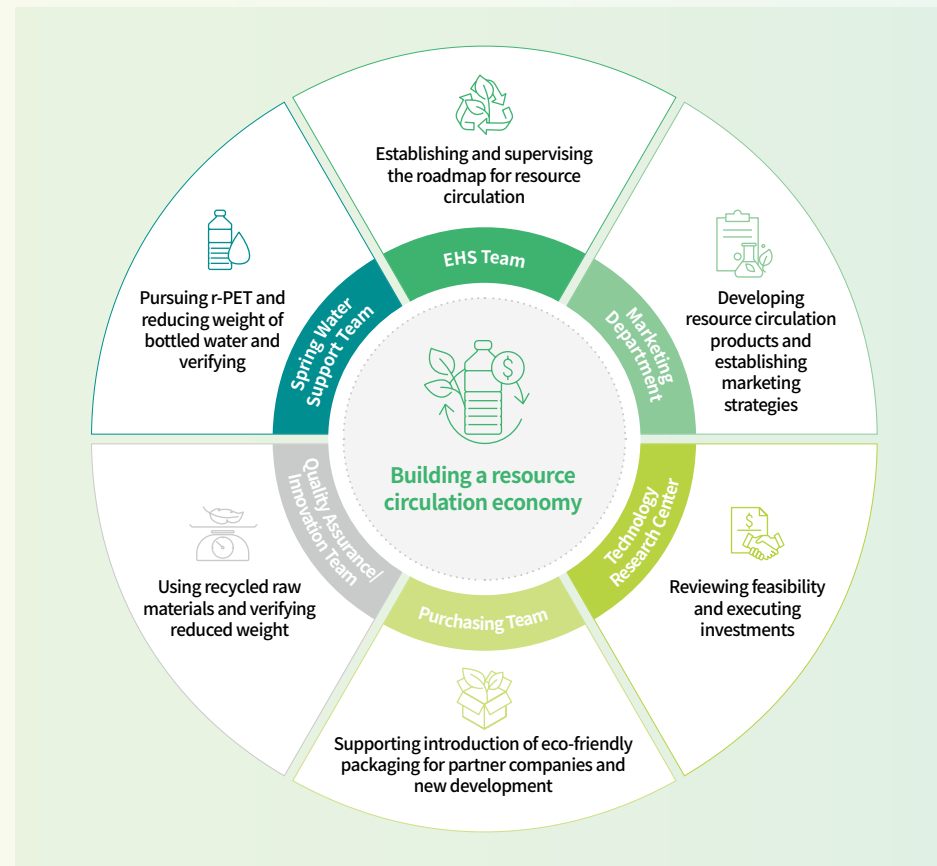
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# ★ Building a Resource Circulation Economy

Lotte Chilsung Beverage has been working to build its own resource circulation system since before the issue of plastics emerged as a major social issue, and has promoted various activities to lessen the weight of plastic packaging and to facilitate recycling of packaging materials. Although previously there were limitations that “packaging materials for food products must satisfy its unique function of hygiene and safety”, thanks to our preemptive planning and response activities, we were able to achieve industry-leading results, such as launching the country’s first label-free spring water and quality verification of r-PET, etc. in terms of resource circulation. In the future, we will expand research on how to improve packaging and strengthen collaboration with stakeholders to build a virtuous cycle for resources.

## Organizational System for Building a Resource Circulation Economy



## Roadmap to Resource Cycling

Lotte Chilsung Beverage is improving packaging for existing products, recycling waste generated in the production stage, and executing collection campaigns for our company’s products, etc. and are pursuing tasks to create a virtuous cycle of resources.

Segments Managed	Strategic Direction	Strategies
Products	<b>Recycle</b> Expand components that uses r-PET	<ul style="list-style-type: none"> <li>Expand products applied with m-rPET</li> <li>Acquire partners that supply flake and r-PET</li> <li>Start applying c-rPET (from 2024)</li> </ul>
	<b>Reduce</b> Reduce emissions by unit	<ul style="list-style-type: none"> <li>Reduce weight of containers, expand label-free products</li> </ul>
	<b>Redesign</b> Facilitate recycling (improved recyclability rating)	<ul style="list-style-type: none"> <li>Research to improve recyclability, such as expanding transparent PET use</li> </ul>
Collecting containers (Consumers)	<b>Re:Green</b> Increase volume of collected containers and secure additional container collection sites	<ul style="list-style-type: none"> <li>Expand collection bases (Metropolitan area → Nationwide)</li> <li>Secure additional collection sites                             <ul style="list-style-type: none"> <li>- Secure value chain through collaboration with local municipalities</li> <li>- After the development of c-rPET, apply to products</li> </ul> </li> </ul>
Waste from business sites	Expand ZWTL-certified businesses	<ul style="list-style-type: none"> <li>Acquire certification gradually by each business site</li> </ul>

\* ZWTL : Zero Waste To Landfill

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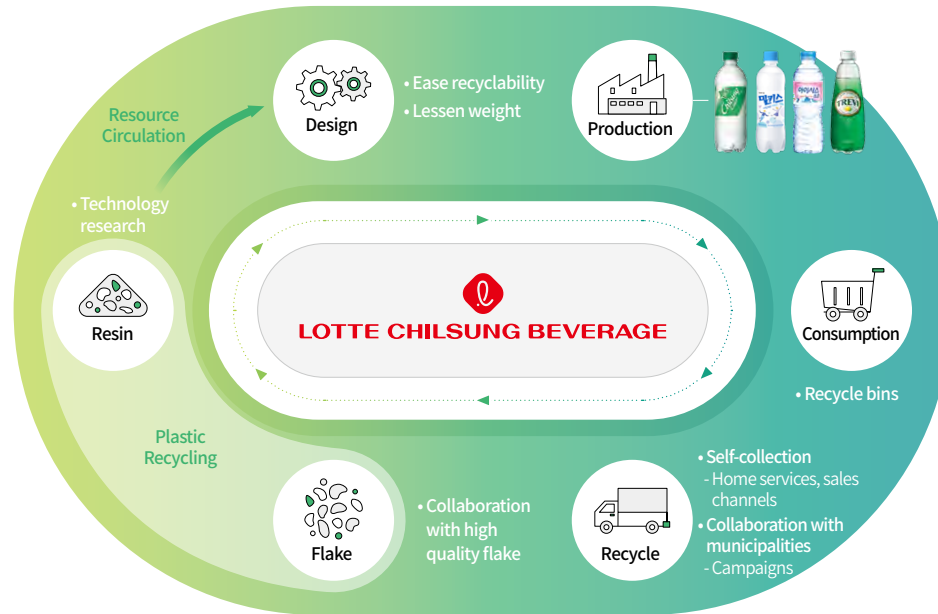
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Re:Green Resource Circulation Process



With plastic consumption continuously rising due to the Covid-19 pandemic, waste from plastics is also increasing. As a result, interest in improving environmental pollution has increased both internally and externally, and the government is now involved with regulating the use of plastics and limiting use of disposable products. With elements such as changes in consumer perceptions on eco-friendly companies and international interest in environmental improvements and activities being reflected into the companies' categories for credit ratings and investment assessments, the importance for eco-friendly business management is being amplified.

As ways to reduce the amount of waste generated, Lotte Chilsung Beverage is not only making it easier for consumers to recycle by developing products with improved recyclability, such as introducing eco-tabs and no-label bottles, but is also promoting a circulation process of collecting and recycling discarded plastics through self-collection and collaboration with municipalities. In the future, we will reduce plastic consumption through technology research and collaboration with partners and furthermore expand r-PET products and lead eco-friendly products to solidify the resource circulation process.

Business Agreement and Support Activities for Resource Circulation

Receiving award for resource circulation

Lotte Chilsung Beverage is committed to exercising resource circulation activities through waste recycling and lightening of packaging materials, etc. Lotte Chilsung Beverage reuses 90% of the waste generated at its business sites as raw materials for manufacturing compost and solid fuels. In addition, we converted color PETs to transparent PETs for products such as Chilsung Cider, applied eco-taps and eco lines to all products, released the first label-free product in Korea, started using label-free New Bottle cans, and are continuing our research on technologies to reduce the weight of packaging. With these efforts, we were recognized for our contribution to improving recyclability and building a resource circulation system and received the Grand Award in the Resource Circulation sector at the 16th Korea Environmental Awards in July 2021.



Agreement to use transparent PET with no labels

In February 2021, Lotte Chilsung Beverage signed an agreement with the Ministry of Environment and bottled water manufacturers to use label-free, transparent PETs. This represents our company's voluntary commitment to contribute to resource circulation through reduction in the amount of waste generated and increase in recyclability by removing labels from bottled water products.

Business agreement for resource circulation

Complying with the "Regulation on recycling PETs for residential homes", Lotte Chilsung Beverage signed a business agreement with the Songpa District Office for separate recycling of PET bottles in November 2021. In 2022, we plan to advertise and host promotional events for residents as well as educational activities for students in order to ensure the stabilization of the PET bottle recycling regulation renewed through the business agreement. Lotte Chilsung Beverage plans to provide support so that citizens can voluntarily participate in resource circulation activities through its continued collaboration with municipalities.



Agreement to use label-free, transparent PETs



Business agreement (MOU) for resource circulation of PET bottles

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## Activities for Reducing Plastic Generation

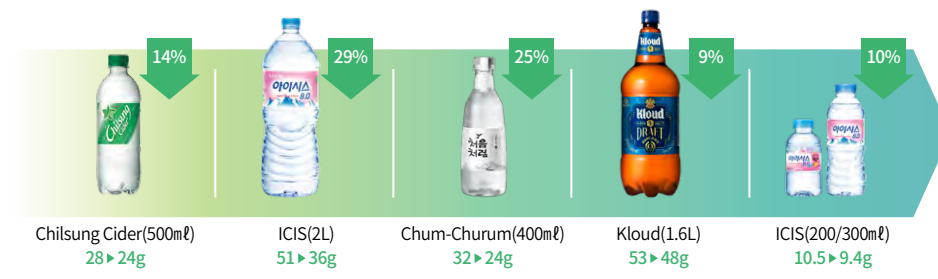
### Expanding label-free products

Lotte Chilsung Beverage is implementing various activities to reduce waste generation. Starting with the release of label-free ICIS product in January 2020, we have expanded label-free products to beverages such as carbonated water, Chilsung Cider, Pepsi, and Contrabass, etc. going beyond spring water products. In 2021, we produced 6.7% of all products as label-free products, and therefore reduced 41 tons of waste during the year (based on the amount of plastic discarded according to the 2021 producer responsibility fees). In the future, we will continue to expand label-free products to reduce the source of waste generation.



### Reducing weight of empty PET bottles

Lotte Chilsung Beverage is pursuing the lightening of packaging materials in the entire product segment of bottled water products, beverage products, and liquor products to reduce the consumption of plastic and the initial amount of plastic generation. By pursuing reduction of the weight of existing large-capacity PET products, we have made significant results and are currently conducting research to continue to lighten packaging materials of small-capacity products. Lotte Chilsung Beverage reduced the small-capacity product of ICIS 200mL/300mL, reducing the weight of PET by 1.1g from 10.5g to 9.4g, resulting in conservation of total 172 tons of plastic consumption for the year. We also invested KRW 400 million to secure equipment that produces lighter weight PET bottles and have been manufacturing products since April 2022.



## Improving Recyclability of Packaging Materials

### Using eco-taps and eco lines

Lotte Chilsung Beverage recognizes the importance of improving environmental problems and therefore, continues to conduct research on packaging to increase the recyclability of waste. In May 2019, we released eco-taps for the first time in Korea, which increase the convenience of separating labels by leaving the edge of the labels unattached on products such as the ICIS Pyeonghwa Park Water and ICIS Jirisan Water, and introduced and expanded eco lines for products with shrink sleeves, enhancing the convenience of separating labels from the products.

### Improving grading of packaging materials

We switched to using alkali soluble labeling adhesives so that labels can easily be removed during the washing process of recycled items and we also released transparent PET products for Kloud as the first in the beer industry, enhancing the grading of recycling packaging materials. In addition, the disadvantage to color PETs is that recycling is difficult. To address this, Lotte Chilsung Beverage transitioned from the original green PET bottles of Chilsung Cider to colorless PET bottles. Moving forward, we are planning to apply colorless PET bottles to more products after conducting quality impact assessments.

Division	Chum-Churum for homemade wine (bulk-size)	Cantata NB Cans	Kloud Colorless PET
Products			
Released	Mar. 2021	Apr. 2021	Aug. 2021
Item	Use of alkali soluble labeling adhesives	Labels removed	Color → Colorless PET
Recycling grade	Difficult ▶ Excellent	Average ▶ Excellent	Difficulty ▶ Average

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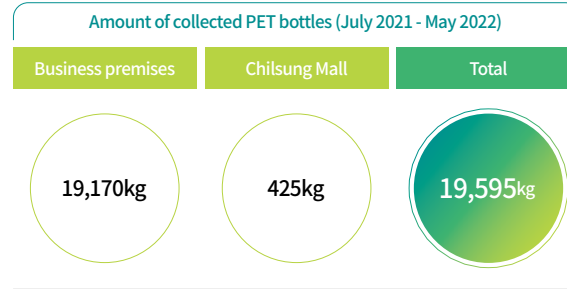
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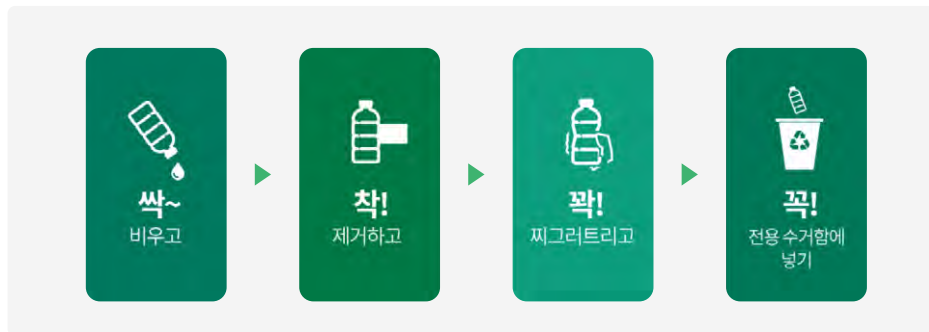
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### PET Collection System

In 2021, Lotte Chilsung Beverage installed collection boxes for separate collection of label-free ICIS PET bottles at Songchu Gamagoll, and 11 other business premises so that the company's delivery personnel could collect the emptied PET bottles. Also, we are promoting a collection system for discarded PET bottles for consumers who are purchasing bottled water products from our Chilsung Mall. Through the service of collecting discarded PET bottles, we are not only offering convenience for our consumers but are allowing them to be aware of the transparent PET recycling mandate enforced since December 2020 and to take voluntary actions. In the future, we plan to continue pursuing the resource circulation system that consumers and the company can build together by installing PET collection boxes, building direct collection systems, and increasing them in number.



PET collection method



### Manufacturing Eco-friendly Uniforms

Using the collected PET bottles, Lotte Chilsung Beverage made 3,000 up-cycled uniforms and distributed the eco-friendly uniforms to field employees in November 2021. For one eco-friendly uniform, about 18 PET bottles are used, therefore we created the result of recycling approximately 54,000 used PET bottles.



### Expanding Products Using Recycled Raw Materials

Lotte Chilsung Beverage is working on applying the r-PET (Recycled PET, renewable PET) technology. For the first time in the Korean beverage industry, we utilized raw materials of r-PET for the 1.5L ICIS 8.0 ECO and released a product using recycled PET. We mixed 90% of petroleum-based plastics with 10% r-PET raw material, which is raw material from renewable plastics made of by-products of high-quality plastic generated at our production plants. We conducted the first test in May 2021 and acquired a compatibility verification in December of the same year. In 2022, we conducted the second test and compatibility verification and produced an r-PET product as the first in the beverage industry. By producing Korea's first mechanical recycling PET (m-rPET), we have achieved tangible results for resource circulation.



In addition, Lotte Chilsung Beverage not only used r-PET but applied raw materials from recycled plastic for the shrinking films, which is a necessary component for packaging used during the distribution process of products. By collaborating with a global chemical company, Dow Chemical Company, we mixed in 20% of recycled PET and developed an eco-friendly packaging film. In the future, we plan to reduce the percentage of petroleum-derived raw materials and expand the percentage of renewable raw materials for plastics used at Lotte Chilsung Beverage to stimulate the production of eco-friendly products.

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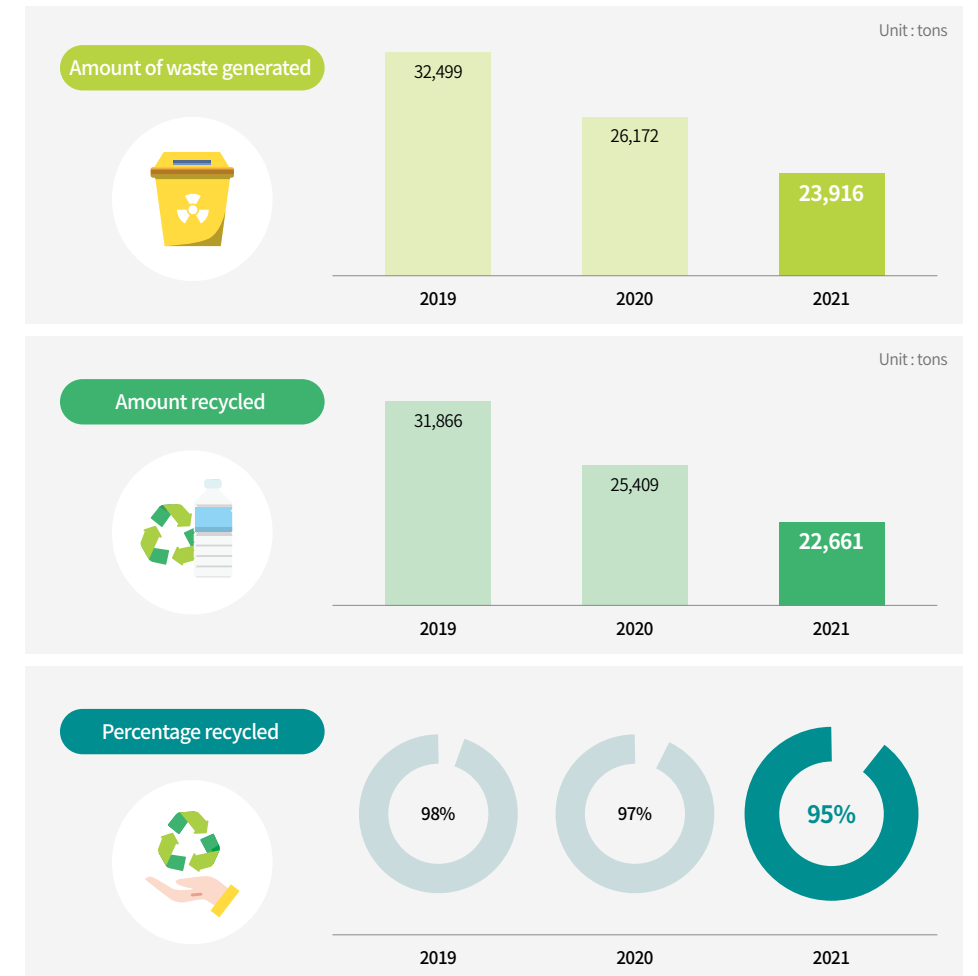
### Producing r-PET Promotional Videos

Lotte Chilsung Beverage was the first in the beverage industry to use raw materials of process by-products to produce eco-friendly r-PET, therefore, we created promotional videos to facilitate the comprehension of the product for the consumers and to reinforce communication. We developed the videos so that anyone can comprehend the characteristics of PET bottles, methods on recycling, and the procedure of manufacturing r-PET by watching the videos, which we are utilizing for employees' environmental trainings, etc.



### Waste Management at Business Sites

Lotte Chilsung Beverage is implementing management in a way that minimizes the environmental impact from waste generated at business sites such as PET, scrap metal, glass, etc. needing to be incinerated/landfilled. By making improvements to processes to reduce the rate of defects, and optimizing raw material packaging to increase recyclability, we are recycling 95% of the amount of waste generated per year without having to use methods such as incineration/landfill.



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# Social

to renew the society

Lotte Chilsung Beverage moves forward with the members of the society.

Lotte Chilsung Beverage creates sustainable value for the happy and abundant lives of customers, employees, and stakeholders.

Performance Indicators	2020 Performance	2021 Performance	Plan for 2022
SKU for released healthy, nutritious food products	14 types	11 types	Release function-labelled product Enter into customized health-functional business
Accident rate	0.26	0.56	Zero accident rate Establish countermeasures to prevent major disasters
Social contributions	KRW 4.5 million	KRW 4.2 million	Enhance CSR (in collaboration with professional entities) Internalize awareness (conduct participation-type CSR)
Value creation Organizational culture assessments	72.5	71.3	Create flexible organizational culture Linkage to performance, improved treatment/ incentives
Items recommended for Open Innovation	173 items	202 items	Collaboration with diverse stakeholders

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# ★ Customer Health and Nutrition

## Building a Product Portfolio for Customers' Health

Lotte Chilsung Beverage manages products to provide health and nutrition to its customers. In 2021, we replaced the sugar components of our representative products, Chilsung Cider and Pepsi Cola while maintaining the original taste and took a leading position in the market. Also, we launched products with health functional ingredients added in order to contribute to our customers' health. Furthermore, we also renewed Chum-Churum products with lower frequency and released Kloud Zero, a non-alcoholic beer, as an effort to "spread a healthy drinking culture".

### Launched (renewed) products for customer health and nutrition (2021)

	Beverage					Liquor	
Name of product	Chilsung Cider Zero	Pepsi Cola Zero Sugar	Tams Zero	Lipton	Drinking Colostrum Protein 365 Kloud Beer Yeast	Kloud Clear Zero	Kloud Hard Seltzer
Improvements made	Replaced sugar			Reduced sugar	Enhanced nutritional ingredients	Non-alcoholic (beverage)	Reduced sugar
Ingredient-related properties (By each product)	Chilsung Cider Zero that you can deliciously enjoy for its original taste and zero calories	Product with the refreshing and exhilarating taste of original Pepsi maintained but no sugar so you don't have to worry about calories	A refreshing fruit-flavored carbonated drink with zero calories (Orange, Lemon, Apple, Kiwi, Pineapple) A total of 4 flavors	Product you can deliciously and healthily consume without concerns on calorie count with 30% reduced sugar	New product with enhanced protein / nutritious ingredients (12g of protein, 4 types of vitamins, zinc)	Non-alcoholic beer made using a non-fermented manufacturing method that does not produce alcohol 30 kcal and 1g of sugar in one can that alleviates the burden of calories and sugars	A product with more than 50% of calories reduced compared to regular beer with only 85 kcal per one 500ml can Less than 1g of carbohydrates in one 500ml can that alleviates the burden of carbohydrates



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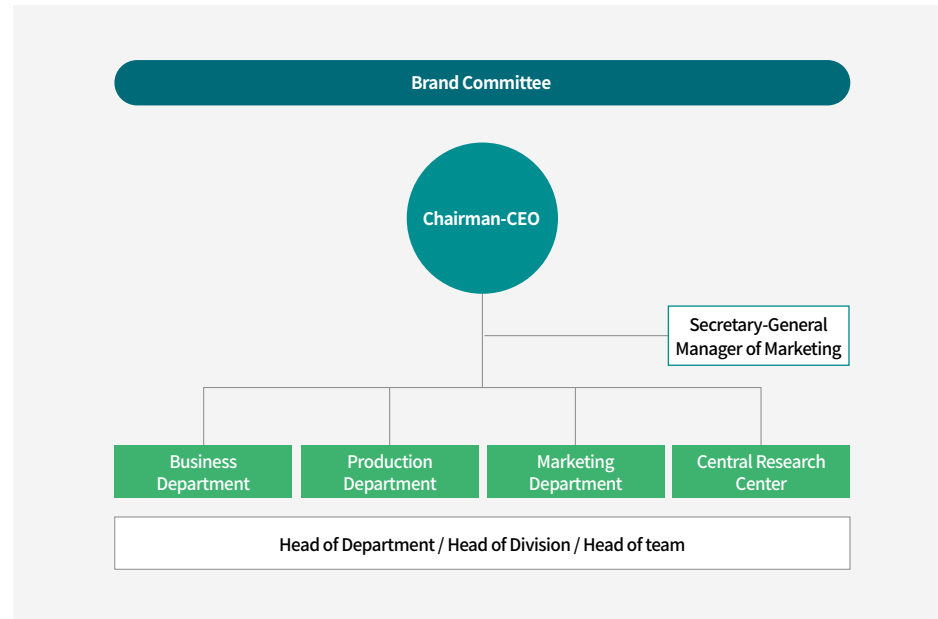
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**Brand Operating System**

Lotte Chilsung Beverage is constantly striving to provide value that satisfies its customers through a “brand that encompasses all generations”, and is fulfilling its corporate responsibilities in its marketing process.

To this end, we operate a “Brand Committee” chaired by the CEO to determine brand-related policies such as business plans, new product development items, and business deliberations for the marketing department.

**Organization of the Brand Committee**

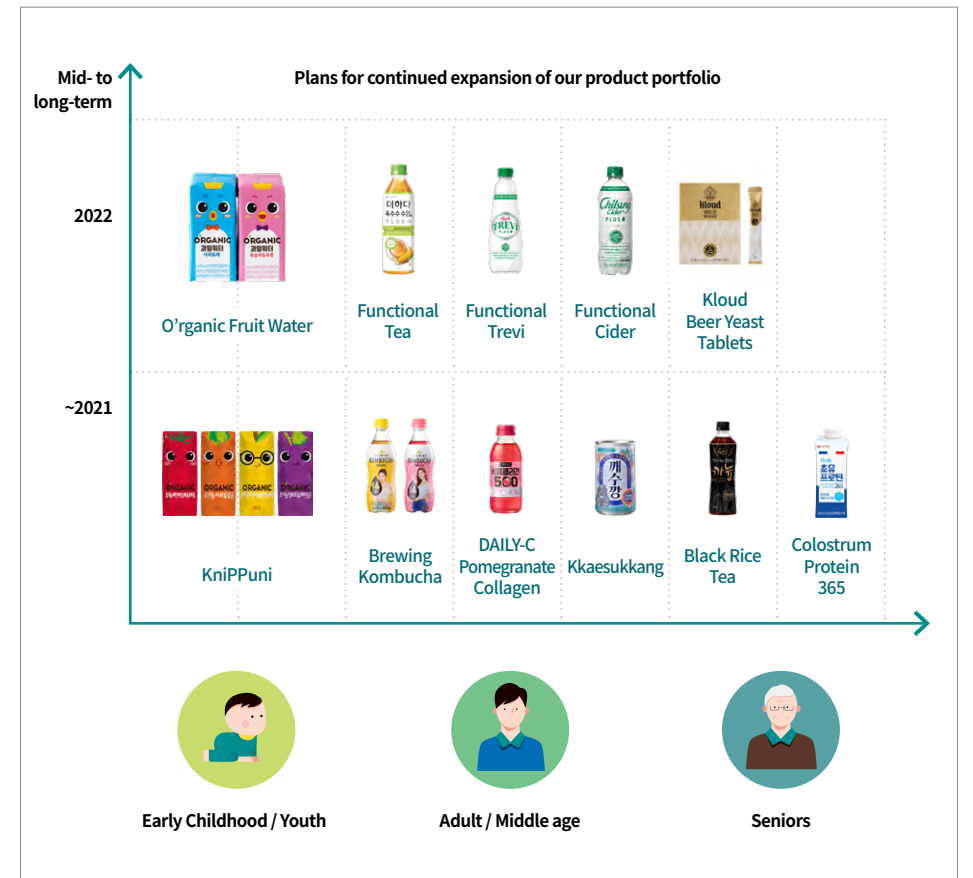


**Responsible Marketing**

As a company that cares about the health of its customers, Lotte Chilsung Beverage has established a “healthy life cycle portfolio strategy” and is pursuing responsible brand strategies. We thoroughly comply with beverage and liquor-related laws, such as the Food Sanitation Act, Liquor Tax Act, and the Drinking Water Management Act, and provide consumers with product information that meets the applicable laws on a per-product basis. In addition, we implement a responsible marketing policy, such as adjusting the broadcast time for advertisements in consideration of the age groups.

**Building a product portfolio for customers’ health**

By setting the healthy life cycle portfolio as our key strategy for our beverage products, we analyze the preferred trends of each generation and launch products that are customized for each consumer group. We provide customer value with products that consider the health as well as preference by age, such as organic products for young children and youths, diet, hangover relief, and health-functional products for middle-aged consumers, and fermented juices, etc. for the seniors.



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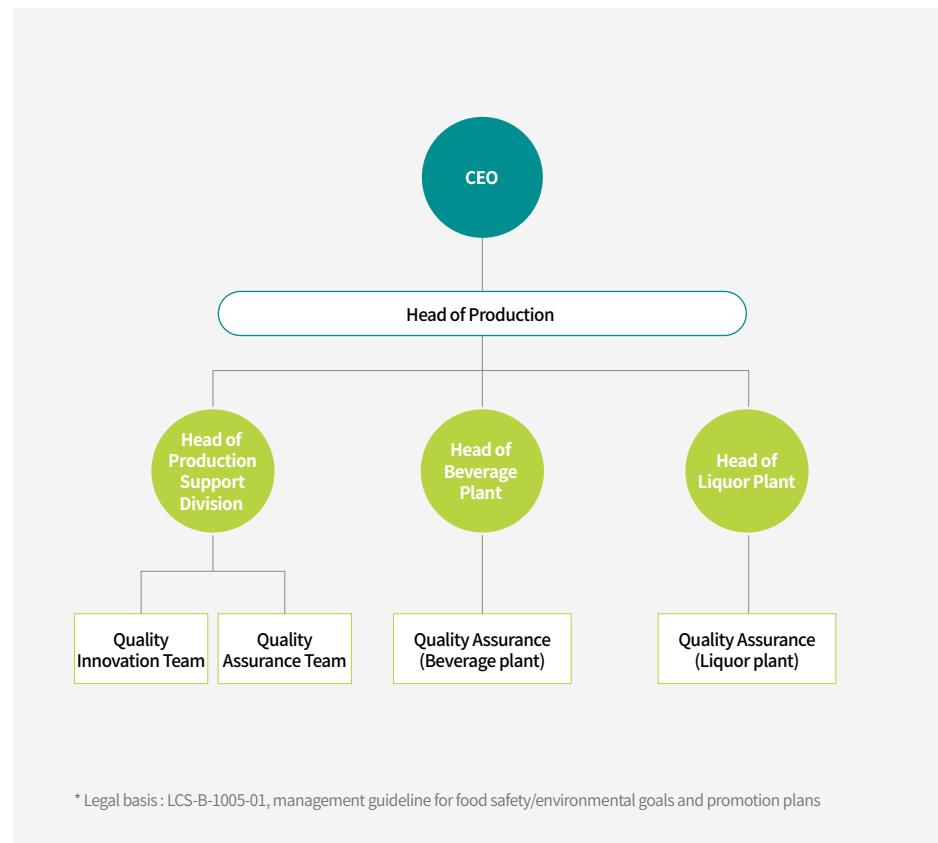
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# ★ Product Safety and Quality

## Quality Control System

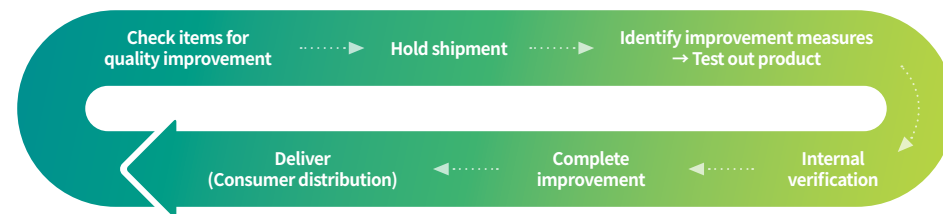
Lotte Chilsung Beverage operates a food safety management system through all stages of production of raw materials, manufacturing, processing, preservation, and distribution. We systematically operate the Quality Assurance Team, Quality Innovation Team, and Product Safety Centers to ensure quality safety and to improve management standards.

### Organization system for food safety management



### Product safety management system

The Product Safety Center of Lotte Chilsung Beverage conducts test analyses of raw materials and products and operates a preliminary food safety system to strive for quality control. In order to prevent spoilage in our beverage products during the storage and distribution stages, the department-in-charge regularly notifies storage know-how for the winter and summer months, and staff responsible for production and delivery strive to implement product management in accordance to the notified matters.



### Quality Education System

To maintain the quality of our products, staff involved with product production complete periodic quality training. Quality control in the entire process, from import of raw materials, production, product storage management, and distribution, is essential. Therefore, not only the quality assurance staffs, but all employees at the production sites, such as the production staff, environmental support staff, and safety staff have completed training for quality control and are familiar with the relevant contents. This means that each staff member conducts quality control, from the management of raw materials to the management of products, to ensure that products can be distributed to consumers without compromising product quality in any season or storage conditions. Staff on site do not stop at only being aware of the improvement items, but they can also suggest improvements at any time through the Lotte Chilsung Beverage's proposal management system. All proposals are improved and completed by the department in charge for product quality control, and incentives are provided to employees who have submitted proposals that are selected as outstanding proposals.

### Quality training completed (2021)

Training	Target	Number of trainees	Cycle
HACCP Training	Managers	23 people	Once / year
Food Hygiene Education	All employees at the plants		Once / month

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## Food Safety Management System

In 2000, Lotte Chilsung Beverage adopted HACCP\*, a food safety management certification standard as the first in the beverage industry, and has acquired certifications for all business sites as a way to implement food hygiene management systematically and intensively. Not only that, we introduced FSSC 22000 (Food Safety Management System), a food safety standard recognized by the Global Food Safety Initiative. All of our beverage plants were certified in 2014, and liquor plants were certified in 2017. Every three years, we conduct a certification renewal assessment and manage the items through post-assessments every year. Also, through periodic inspections by the department-in-charge, we are producing high-quality products our customers can trust and consume.

### HACCP Certification

We establish and manage an organizational hygiene management system for each stage of production, storage, and distribution of products.



### FSSC 22000 Certification

We manage items for food safety at each stage, such as raw materials of our products, production, manufacturing, processing, preservation, and distribution to ensure the safety of food from the perspective of consumption.



### Children Food Preference Quality Certification



Organic Red beats & Pears & Tomatoes, Apples & Carrots, Oranges & Mangoes & Zucchini, Red Grapes & Purple Carrots



### Organic Food Production Certification



Organic Red beats & Pears & Tomatoes, Apples & Carrots, Oranges & Mangoes & Zucchini, Red Grapes & Purple Carrots



Apple & Pear Fruit Water, Peach & Prunes Fruit Water



\* HACCP : Hazard Analysis and Critical Control Point

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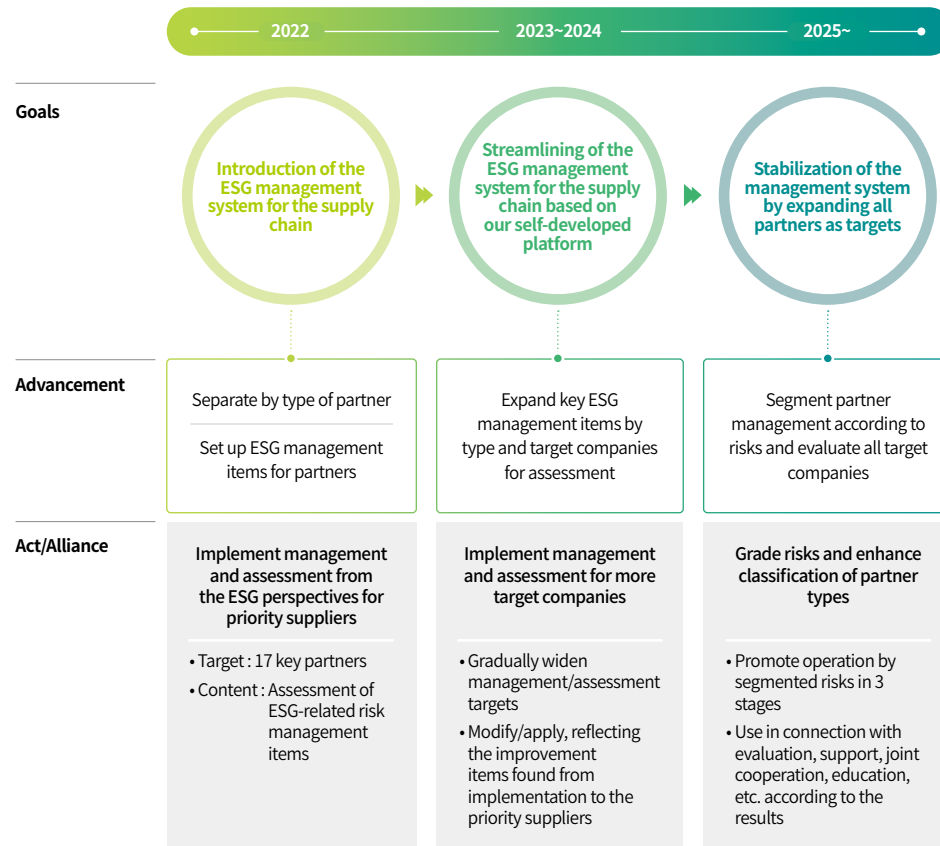
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# ★ Sustainable Supply Chain Management

In the midst of a rise in crises and uncertainties in the global supply chain due to Covid-19 and other environmental pollution issues, we have seen that ESG management in the entire supply chain, not just the large conglomerates, is the solution for sustainable management. Lotte Chilsung Beverage seeks to strengthen its competitiveness through ESG management in the company's supply chain, and also our partner companies. For this, we have built a roadmap for ESG management in the supply chain that is categorized by time period, and we plan to further enhance ESG management items according to classification and gradually expand the scope of management for our partner companies.

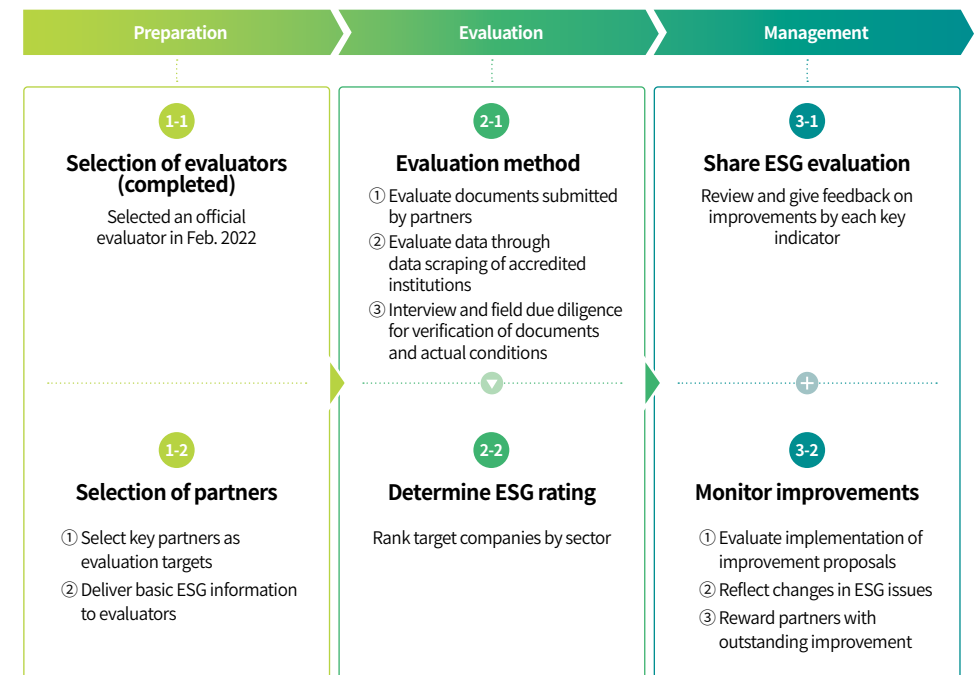
## Roadmap for ESG Management in the Supply Chain



## Partner Selection and Establishment of the Evaluation Management Process

Lotte Chilsung Beverage has close cooperative relations with various partners for raw materials, packaging materials, and product sourcing. In order to respond to various stakeholders' demands for fulfilling social responsibility and to faithfully fulfill our role as corporate citizens, we plan to conduct ESG evaluations of our partners starting in 2022.

### ESG Evaluation process for Lotte Chilsung Beverage's supply chain



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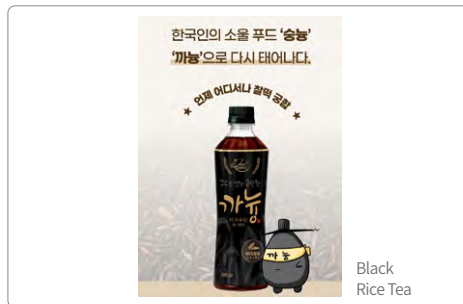
**A healthy and respected company**

## ★ Win-win Program for Mutual Growth

Lotte Chilsung Beverage is striving to overcome the difficult times and grow together with partners by not only managing them through ESG management for the supply chain but by providing a variety of win-win programs. Through the operation of “Beverage School”, an open innovation program for the creation of craft beer clusters and win-win cooperation, we are promoting mutual growth with small- and mid-sized enterprises. We are also pursuing mutual growth with local farmers through local purchasing of raw materials. In addition, we provide financial support such as raising funds for mutual growth and investing in facilities.

### Open Innovation for Win-win and Cooperation (Operation of Beverage School)

In order to create a fun and healthy beverage culture, we conducted the first Beverage School in 2020, a consumer-participating beverage development project. For the launch of the new product ‘Black Rice Tea’, we ran a crowdfunding campaign and achieved 452% of the target amount, and recorded sales of 720,000 bottles at Lotte Mart in the month of February 2020. Thanks to the success of the first Beverage School, we operated the second Beverage School in November 2021 to provide product incubation opportunities for business owners that have been struggling with Covid-19. After screening the signature drinks at six cafes across the country selected through pre-screening, we plan to release them as products. Lotte Chilsung Beverage will continue open innovation for collaboration and mutual growth with small- and mid-sized enterprises in the future.



The first-term of beverage school



The second term of a beverage school

### Support for Mutual Growth with Mandarin Farmers on Jeju Island

Since kicking off the operation of the company's Jeju plant in Seogwipo City, Jeju Island in December 1977, Lotte Chilsung Beverage has been pursuing win-win growth with mandarin farmers on Jeju Island. We pursue local commercial activities by taking mandarins that have become non-sellable due to rainfall and strong winds and are difficult to commercialize, and making them into juice and concentrated juice to speed up the consumption of mandarins and to encourage consumers' interest in local agricultural products. In addition to financial win-win with local farmers, Lotte Chilsung Beverage is also working to build a resource circulation system, such as reducing waste in the Jeju area. In September 2021, in collaboration with Jeju One Food, a food processing company on Jeju Island, we succeeded in R&D on the manufacture of natural citrus flavors using mandarin peels generated at the Jeju plant, contributing to the development of new products and the reduction of waste in the Jeju area.



#### Support amount for win-win with mandarin farms

Division	Season		
	19/20	20/21	21/22
Quantity (tons)	20.852	16.579	12.714
Amount (KRW 100 million)	30	24	18



Good Consumption Campaign for Tangerine Farmers in Jeju Island

#### Strengthening support for partners

Lotte Chilsung Beverage is promoting win-win through various financial support and facility investment support for its partner companies. We pay in the entire amount due to small- and mid-sized partners in cash and pay holiday incentives in advance to support partner companies that are struggling with financial circumstances. Also, we operated mutual growth funds of KRW 17 billion to alleviate the economic difficulties caused by Covid-19 since 2020, and capitalized KRW 2.2 billion to a total of 1,123 affiliate stores and dealers as support funds.

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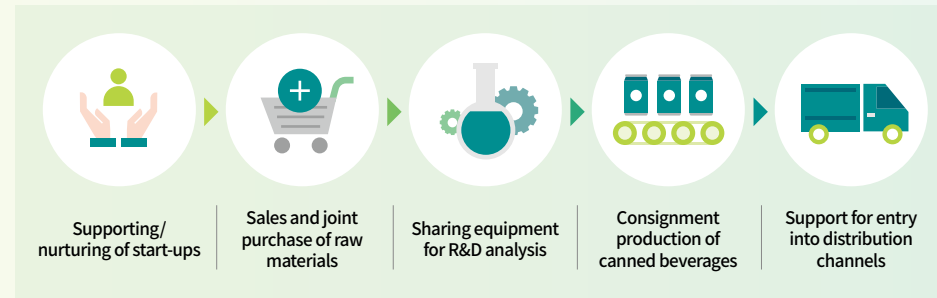
A **healthy and respected** company

## ★ Craft Beer, Now in a Can

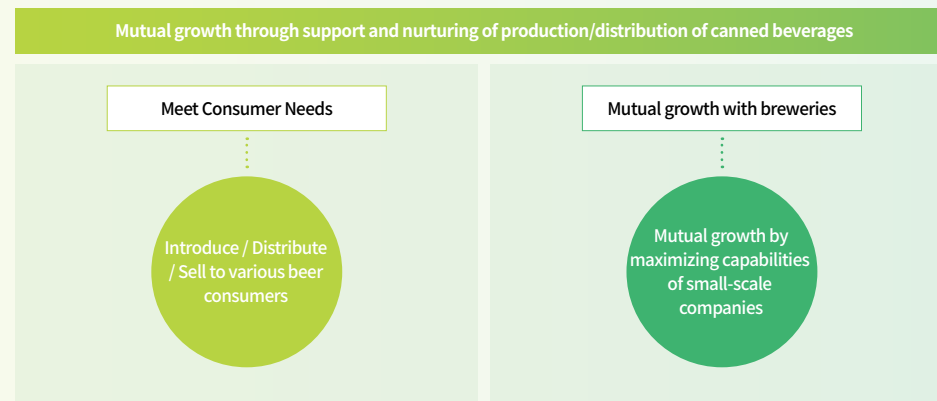
### Building a win-win cooperation model with craft beer companies

In recent years, demand for craft beer has skyrocketed, but small- and mid-sized craft beer companies are struggling due to limitations in obtaining raw materials and investment for facilities. To address this, Lotte Chilsung Beverage runs the 'Craft Beer Cluster' project to share a portion of the plant-operating system to help small- and mid-sized craft beer companies with production. This allows craft beer companies to produce canned beverage products without additional investment in facilities, allowing them to focus on developing a variety of recipes and improving quality. This also offers a new win-win cooperation model because it increases the diversity of beer choices for the consumers.

### Support for the entire beer manufacturing process (Lotte Chilsung Beverage's All in Beer Cluster)



### Creating shared value by running the Beer Cluster



### Nation-wide craft beer audition - Craft Beer, Now in a Can

Of the 164 small- and mid-sized breweries in the country, only 25 are equipped with facilities for canned beer production, making it difficult for breweries to secure competitiveness. Through the nation-wide craft beer audition 'Craft Beer, Now in a Can' in 2021, Lotte Chilsung Beverage is providing incubation opportunities as well as support throughout the production to the marketing phase. We are leading the creation of shared value by enhancing the capabilities of small- and mid-sized breweries with plans in 2022 to launch Microbrewery Korea's 'Oktoberfest Weizen', which was selected as a Gold can.



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# ★ Human Rights Management

Lotte Chilsung Beverage recognizes that human rights are the basic right and freedom granted to all. Based on this, we comply with the internationally proclaimed human rights regulations in all places where we do our business, taking the lead in fulfilling human rights management.

## Enactment of the Human Rights Management Charter

Lotte Chilsung Beverage has established the “Lotte Chilsung Beverage Human Rights Management Charter” to protect and promote human rights. It is through this that all employees adhere to the universal human rights principles and strive to internalize and disseminate human rights management.

### Lotte Chilsung Beverage’s Human Rights Management Charter

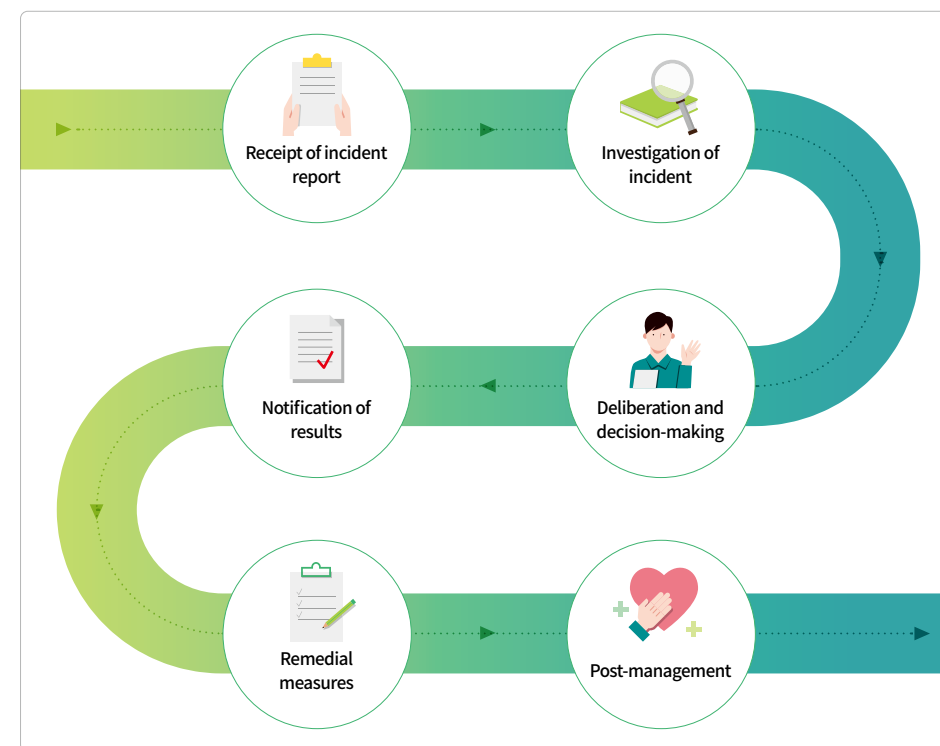
In order to make the leap into a healthy and respected company, we seek to protect the human rights of our employees and all stakeholders by respecting and practicing key international human rights regulations, such as the Universal Declaration of Human Rights. To this end, Lotte Chilsung Beverage proclaims the “Human Rights Management Charter” as a principle for action and value judgment that all employees should observe and strive for, as ways to internalize and disseminate human rights management.

- One,** we support and comply with domestic and foreign standards and norms of human rights, including the UN Universal Declaration of Human Rights.
- One,** we do not discriminate against stakeholders, including employees, on the grounds of race, religion, disability, gender, place of birth, political stance, etc.
- One,** we uphold the constitutional right to freedom of assembly and association and the right to collective bargaining to protect and advance the human rights of our employees.
- One,** we do not condone any form of forced labor or child labor.
- One,** we ensure industrial safety and health rights by fostering safe and hygienic workplaces.
- One,** we strive for mutual growth with our business partners, supporting and cooperating with them for their implementation of human rights management.
- One,** we respect and protect the human rights of local residents in the areas where we conduct business.
- One,** we comply with environmental laws and regulations in Korea and overseas, and strive to protect the environment and prevent environmental disasters.
- One,** we strive to protect the safety of the people whose lives with touch in our business activities, protect the personal information acquired in the course of our business, and ensure the right of access to information.
- One,** we provide timely and adequate remedial measures for human rights violations that may arise in the course of business.
- One,** we strive to protect the human rights of all stakeholders, including our employees, and we commit to do our best to embed and disseminate human rights management.

## Remedial Measures for Human Rights Violations

Lotte Chilsung Beverage established a human rights violation reporting center to prevent and remediate human rights violations of internal and external stakeholders that occur during our management activities, taking the lead in protecting the victims of human rights violations and spreading a culture that respects human rights.

### Remedial procedures of human rights violations



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## Membership in the UNGC

Lotte Chilsung Beverage joined UNGC\* in November 2021 as a declaration for its commitment to the practice of human rights management. Launched in July 2000, UNGC is the world's largest non-binding international initiative on corporate social responsibility with the goal of sustainable development, established under the UN with more than 19,000 members worldwide. As a member of UNGC, Lotte Chilsung Beverage will adhere to the principles set forth by UNGC during the company's overall management activity and fulfill its responsibility as a corporate citizen to build a sustainable society.

### Lotte Chilsung Beverage's Certificate of Membership in the UNGC



## Publication of the UNGC CoP Implementation Report

Through the publication of the CoP Implementation Report in May 2022, Lotte Chilsung Beverage has declared that it will adhere to the ten principles of the UNGC including human rights, labour, environment, and anti-corruption and practice sustainability management. This is so that the company can grow along with the society and foster future generations in a management environment where uncertainties of the future continue to grow.



\* UNGC (UN Global Compact) : A framework under the United Nations for companies to adopt socially responsible policies for sustainable development



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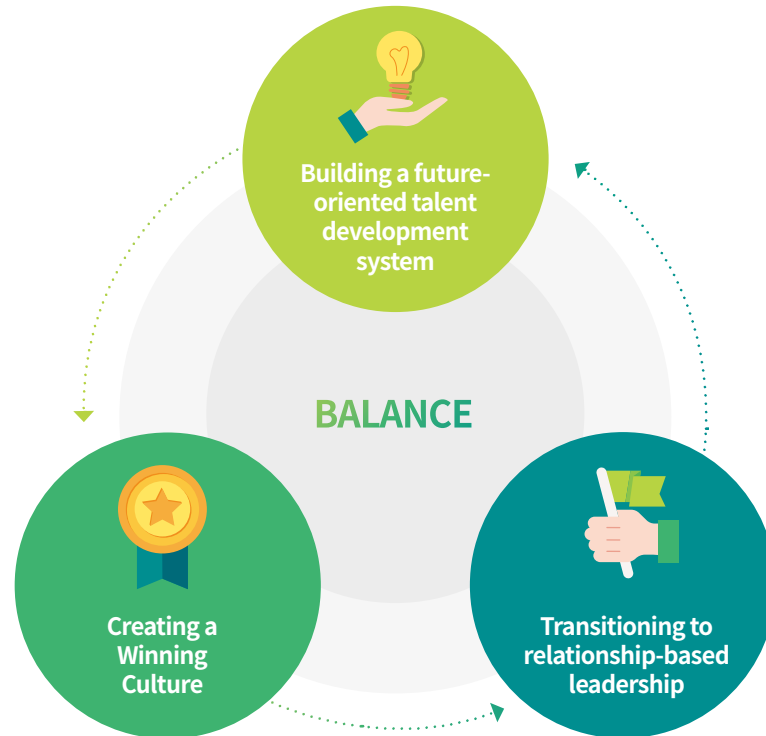
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# ★ Talent Management

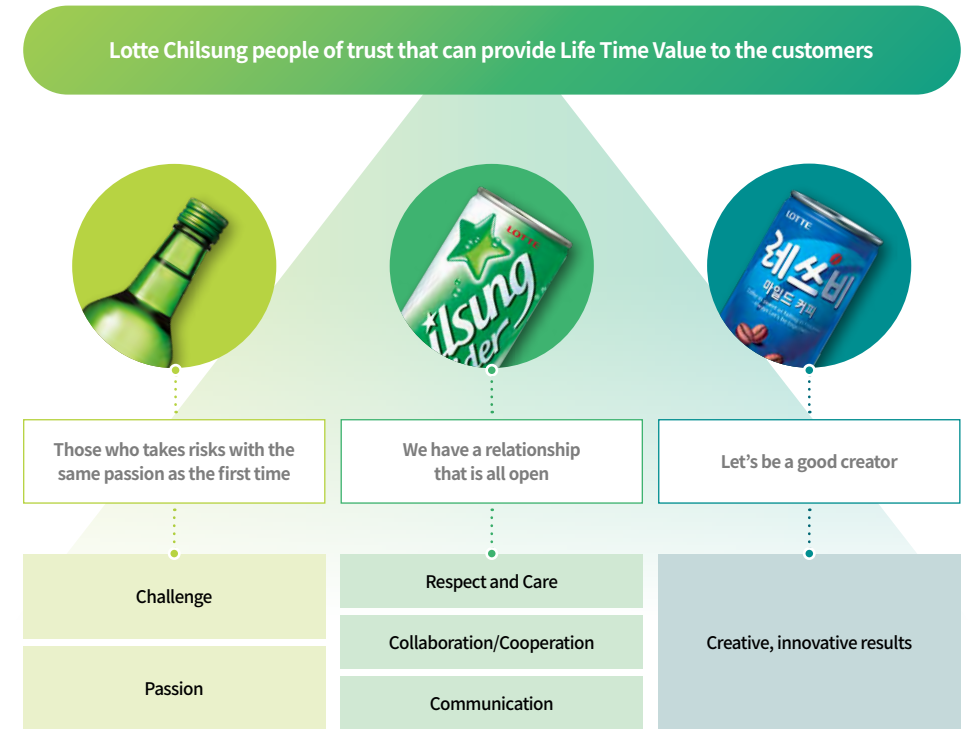
## Direction of Talent Management

In order to adapt to the rapidly changing environment, Lotte Chilsung Beverage places a higher value on the possibilities of the future rather than the present, and aims to train talents that possess passion, responsibility, and potential to nurture our society to greater levels. For sustainable development that is grounded on talent management, all members of the company are working together to build a future-oriented talent development system, transition to relationship-based leadership, and create a Winning Culture throughout the entire corporate culture.



## Ideal Talent

Lotte Chilsung Beverage's mission is to contribute to the abundant and happy lives of its customers, which is only possible with every employee's trustworthy heart and action. To this end, Lotte Chilsung Beverage operates a talent development policy to secure and nurture Chilsung people that are willing to take risks without fear of failure, Chilsung people that co-exist through respect and care, and Chilsung people that puts all their effort into innovation.



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## Hiring Talent with Expertise

### Introduction of regular-basis recruitment

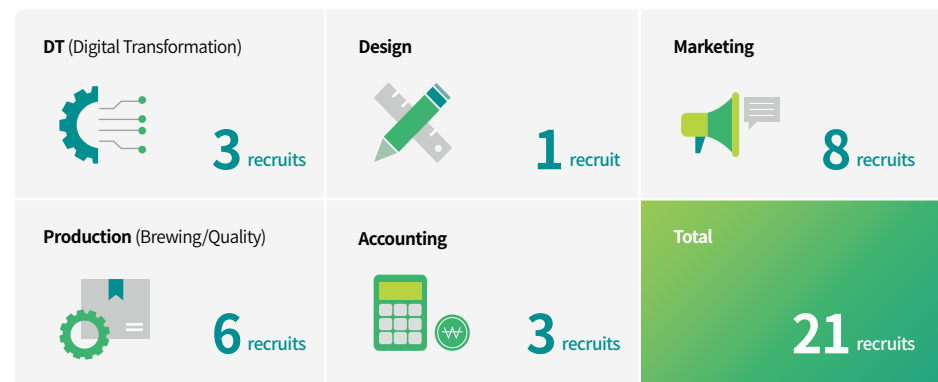
Lotte Chilsung Beverage responds to the rapidly changing market environment and conducts recruitment on a regular basis to ensure that the talent needed on sites are always available. By abolishing the existing company-made talent culture, which was closed and inefficient in securing necessary personnel at the desired time, we are pursuing a transition to an open and flexible corporate culture, hiring the most appropriate talent that meets the requirements of each job so that they can be immediately placed on field. In 2021, a total of 270 employees were selected through the regular-basis recruitment system, and they were placed in jobs that matches the capabilities of each talent as well as the needs of the organization.

### New recruits by age & gender

Division	20s	30s	40s	Total
Male	106	53	6	165
Female	44	38	23	105
Total	150	91	29	270

### Expanding recruitment of experienced professionals

In order to address changes in the era such as market trend changes and digital transformation in a timely manner, Lotte Chilsung Beverage is expanding the recruitment of professional technical personnel for jobs that serve the key role of the company's mid-and long-term business portfolio, such as positions in DT, accounting, e-commerce, and imported beer, etc. In the recruitment of experienced professionals, we not only review the expertise of the applicant, but also closely examine his or her character traits and values to determine how well they match with Lotte Chilsung Beverage's ideals to ensure that they can grow along with the company. After recruitment, we provide training so that the experienced professionals can easily adapt to the new corporate culture by conducting mentoring and facilitating the internalization of core values.



## Recruitment Policies that Provide Fair Opportunities

Lotte Chilsung Beverage ensures diversity of members during the recruitment of talents, and operates a fair process to recruit the appropriate talent. We comply with fair recruitment procedures based on suitability for each job without discrimination of race, gender, age, disability, etc. In particular, we conduct blind recruitment and special recruitment in order to secure female talents and to contribute to the creation of jobs for people in the socially vulnerable groups, and we are continuously working to expand the recruitment of female talents, as well as people with disabilities and children of people of national merits.

Division	2019	2020	2021
Number of full-time employees	6,068	5,834	5,782
Recruitment of the disabled (Number of mandatory recruits)	154(189)	144(182)	170(178)
Mandatory recruitment rate	81.4%	79.1%	95.5%
Recruitment rate	2.54%	2.47%	2.94%

## Operation of a Performance-oriented Incentive System

Lotte Chilsung Beverage operates a performance-oriented compensation system to ensure that the best talent can perform to the best of the capabilities regardless of seniority with the organization, gender, regional or academic connections. Based on the performance management evaluation process, which reviews individual performance and feedback on two occasions in the first half and second half of the year, employees with outstanding results are compensated with pay that is commensurate to the rate of wage increase and rate of performance pay.



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## Talent Recruitment Policy that Respects Diversity

Since LOTTE Group's declaration to the "Diversity Charter" for the first time as a Korean company in 2013, each affiliate has made efforts to respect diversity. Lotte Chilsung Beverage also abides by a number of recruitment policies to provide opportunities for talent with creative ideas to respect each other and grow together without limitations by gender, academic and regional connections, disability, etc.

### Diversity Charter

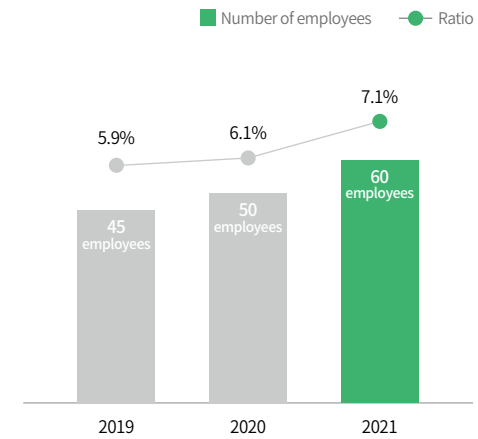
All of LOTTE's employees are committed to embracing diversity, aiming for an open and fair corporate culture where anyone can be a leader according to their ability, and to create new social value that the generation demands by providing products and services that are loved and trusted.

<p><b>01. We respect diversity between men and women.</b></p> <p>We provide equal opportunities for men and women, actively support them to be fully competent within the organization, and take the lead in implementing female-friendly systems, including childbirth and child care.</p>	<p><b>02. We respect cultural diversity.</b></p> <p>We lead the securing and nurturing of diverse talents that will lead global businesses regardless of nationality and race, and we do our best to create an open corporate culture so that they can perform their skills to the best of their abilities within the organization.</p>
<p><b>03. We respect physical diversity.</b></p> <p>We fulfill our social responsibility to embrace physical differences caused by congenital and acquired disabilities, provide optimal working conditions for them to expand their unique abilities, and help them feel a sense of fulfillment of contributing to the company and the society.</p>	<p><b>04. We respect intergenerational diversity.</b></p> <p>We strive to achieve a corporate culture of communication and unity that allows members to freely convey their opinions and act regardless of job rank and age.</p>

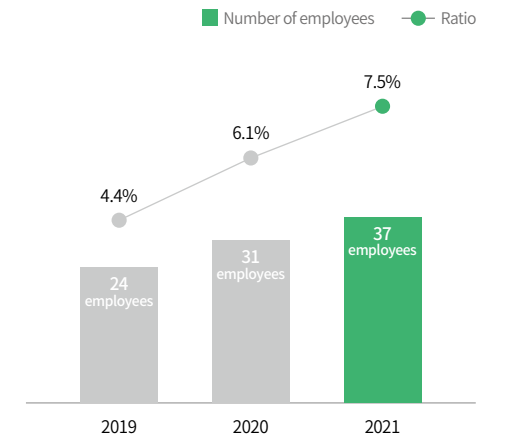
## Securing Female Talent (Gender Diversity)

Lotte Chilsung Beverage is continuously increasing the recruitment of female talent in accordance with its talent management policy that respects diversity. In addition, the proportion of female executives and female employees in management positions is also on the rise, and through this, we are creating an open corporate culture where female personnel can freely exert their abilities and grow into excellent talent. As a result of the policy of nurturing female talent, the percentage of female talent in managerial positions or higher and the percentage of female talent among managers is increasing every year.

Female talent in managerial positions or above



Female talent among managers



## Diversity Forum

Based on its diversity-oriented management philosophy, Lotte Group has been hosting the Lotte WOW (Way Of Woman) Forum since 2012 to foster female talent and inspire self-esteem. The WOW Forum, which was first hosted to cultivate female talent outside of the fixed frame such as gender and age, has been expanded to a diversity forum since 2021. In order to create a culture of change and innovation led by Lotte's unique corporate culture, the Diversity Forum shares various success stories, lectures, discussions, etc. that represents diversity with its employees, delivering the message "We support you in finding who you are within diversity."



Lotte Diversity Forum

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## “GREEN WITH”, a workplace that dreams alongside people with disabilities

### What it means to hire employees with disabilities

In a situation where the scale of corporate recruitment is declining due to the Covid-19 pandemic, the employment rate of people in vulnerable groups with disabilities is falling significantly compared to people without disabilities, making it increasingly difficult for people with disabilities to become self-reliant. In the end, recruitment and expansion of jobs for people with disabilities is our responsibility as a corporate citizen as a member of society and is an essential ingredient for mutual growth.

Lotte Chilsung Beverage is moving away from the obligatory recruitment of people in vulnerable groups and going further to building a relationship of mutual growth and cooperation where the company can hire talent that meets the job traits and allow the talent to grow alongside the company. To further this, we opened ‘GREEN WITH’, a subsidiary-type exemplary company for people with disabilities in 2021 and employed 17 people with disabilities as of the end of 2021. GREEN WITH operates an in-house employee welfare café located on the 4th floor of our headquarters and a dry-cleaners located at our Gangneung Plant to support the social life and self-reliance of people with disabilities.



### Interview with GREEN WITH Manager Hanna Jang

#### How was working with Lotte Chilsung Beverage?

The good thing about working at GREEN WITH, where various non-disabled people and disabled including people with cognitive disabilities, mental disorders, physical disabilities, and hearing impairment are connected together, is the corporate culture of Lotte Chilsung Beverage that does not view people with disabilities with a skewed perception. People with disabilities have experienced difficulties and inconveniences due to the common prejudice that people without disabilities have regarding them. That being said, the corporate culture of Lotte Chilsung Beverage employees, who treat everyone as equal, has helped all of the GREEN WITH employees to adapt comfortably. We expect that the corporate culture of Lotte Chilsung Beverage, which values diversity, will lead Lotte Chilsung Beverage to be a sustainable company that brings together disabled and non-disabled people without discrimination.

#### Is there a difference in employees since they started working at GREEN WITH?

It is the fact that the employees can break away from their previous lives that included various constraints that came from discrimination and difficulties they were faced with at the previous workplaces and that they can finally get various hands-on experiences that allow them to feel a sense of accomplishment from getting their jobs done at GREEN WITH and to be properly independent. Through this, we are also achieving social growth that is beneficial for everyone, where our employees with disabilities can develop their skills by working at the café and dry-cleaners, understand fellow employees, and learn to work with one another.

#### What do you want to achieve with GREEN WITH in the future?

As the manager of GREEN WITH, we will have our eyes open to the human rights of our disabled employees along with Lotte Chilsung Beverage and make our society one where disabled and non-disabled people can happily interact together. We will work hard to nurture Lotte Chilsung Beverage’s GREEN WITH into a genuine brand that respects the diversity of our society and the human rights of people with disabilities. Also, we will exert our best efforts as a companion to help employees at GREEN WITH continue to stay on the right track.



Manager Hanna Jang

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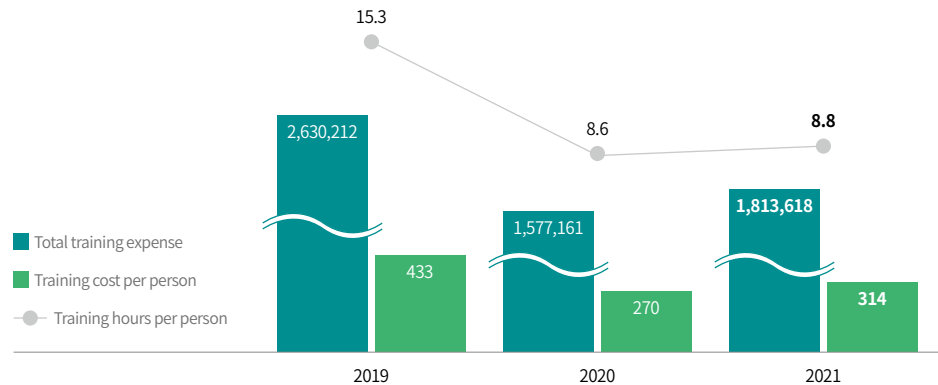
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## Training Programs for Talent Development

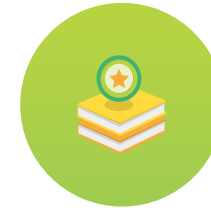
In a rapidly changing business environment, talent that has the necessary capabilities is an essential element for sustainability management. In order to foster talents that can take risks with passion and cooperate with an attitude of mutual respect to achieve innovative results, Lotte Chilsung Beverage operates a variety of training programs for all employees, including contract employees.

Division	Name of Program	Training Objectives	Participants
ESG Training	4 mandatory legal training and workplace harassment prevention training	To eliminate legal risks and safety accidents for the workers and the company	All employees
	Compliance (Anti-corruption)	To instruct on fair trade and anti-corruption laws	
Leadership training	ESG human rights training	To practice human rights management and achieve social value	All managers
	Bold performance management	To create common grounds and to strengthen leadership	
Job-specific training	Evaluator training	To enhance skills on progressive feedback-giving	All managers
	Data analysis academy	To build a data-driven decision-making system	
On-boarding process	Creator training course	To enhance online customer communication	15 personnel selected in advance
	Basic training on wine	To develop employees' basic wine knowledge	
On-boarding process	Mentoring experienced employees	For emotional care and to encourage performance	13 experienced employees
	Metaverse training for new employees	Metaverse literacy	

Cost of training and training time per person (Unit : KRW 1,000, hours)



### Major achievements made through training in 2021



#### Managers' performance management

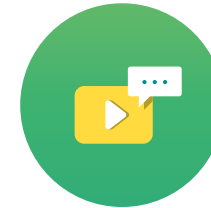
Conducted training on changes in the way of working and leadership psychology/ progressive feedback-giving



#### Data analysis academy

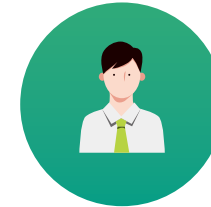
Built a decision-making system by fostering advanced data analysis personnel

※ Course operated through Yonsei University-academia collaboration



#### Creator training course

Strengthened customer communication through live commerce and YouTube training



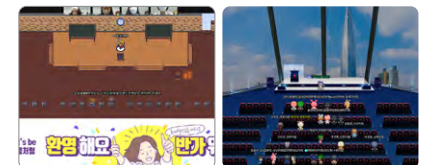
#### Mentoring experienced employees

Conducted vision training for Lotte Chilsung Beverage for smooth adaptation and built human networks



#### Metaverse utilization training

Held introductory training for new employees on using the metaverse platform





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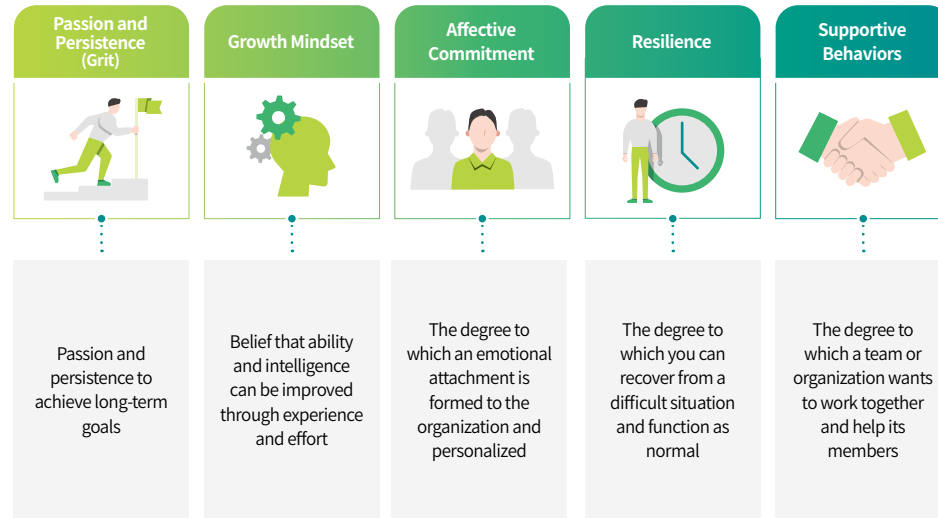
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### Winning Spirit

The Winning Spirit is the willingness of all employees to empathize with the values of the company and to perform to the best of their abilities in leading optimal results. Lotte Chilsung Beverage has internalized these Winning Spirits and nurtures independent and proactive talents.

#### Concept of creating a Winning Spirit



We have established and distributed the "Winning Rule", a rule that must be observed in order to spread the Winning Spirit, creating an environment for employees to apply it to their job duties.



### Winning Culture

Lotte Chilsung Beverage operates a variety of programs to encourage the growth of individuals and organizations and to create a corporate culture that is not afraid of failure. The Lotte Awards, which awards teams that have achieved outstanding achievements through continuous risk-taking, is a device that spreads the Winning Spirit and creates a Winning Culture, as well as a representative award of Lotte. At the first Lotte Awards held in 2021, the Bottled Water Support Team and the Juice and Water Team that launched 'ICIS ECO' were awarded the honorable prize. They were recognized for leading the eco-friendly packaging culture by reducing the use of labels and increasing the convenience of recycling by launching the first label-free bottled water product in Korea. Before the final release of the product, there were many challenges, such as display of labels and development of new bottles, but this is an illustrative example of excellent results created based on the Winning Spirit.

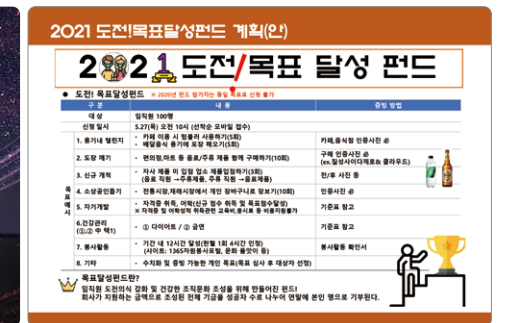
'Take the Challenge! Goal Achievement Fund' is an employee-participating fund operated by the company, where if an employee sets a goal and then achieves the goal, a success fund is donated in his or her name. This is our way of providing opportunities for each person to experience a sense of achievement by setting and accomplishing small goals and to internalize the Winning Spirit. In this way, we are creating an environment where each individual can cultivate the Winning Spirit and go beyond that to make Winning Culture the culture of the company.

#### Participation in the Goal Achievement Fund

Division	2020	2021
People who took the challenge	100 people	99 people
People who succeeded	67 people	28 people
Total fund	KRW 14 million	KRW 10 million
Success fund per person	KRW 208,955	KRW 357,140



2021 Lotte Awards ceremony



2021 Target Achievement Fund

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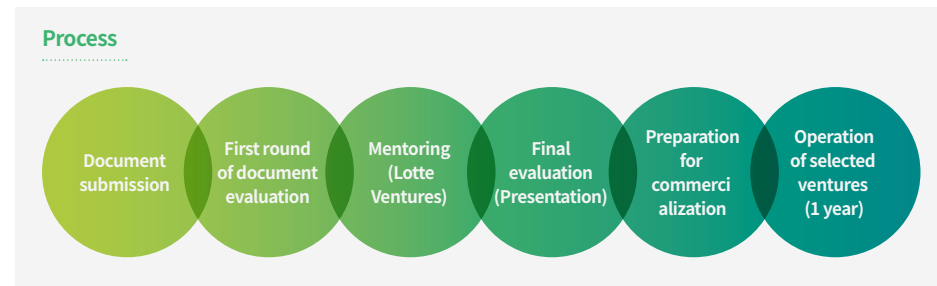
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## In-house Venture System

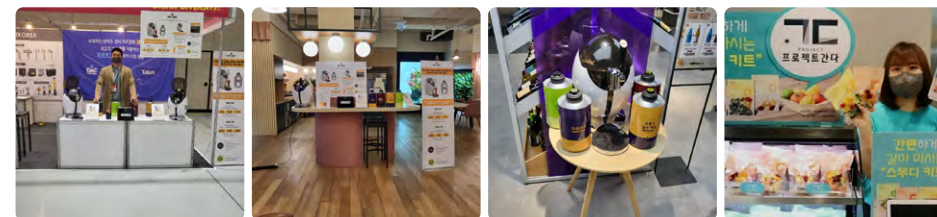
The In-house Venture System is a talent training program that we have been operating every year since 2018 to discover new business opportunities in a fast-changing environment, along with creating a risk-taking corporate culture, and discovering new growth engines of the company. For employees selected for this system, we support them with funds for business development in addition to their wage, an independent office space, as well as regular mentoring for a year. In addition, if the employee makes a decision to spin out and establish the business into a legal entity, we ensure independence as well as their readmission into the company within 5 years according to their will, providing an environment where our employees can take on bold challenges.



### History of the in-house venture system

In the first term of the in-house venture, which began in 2018, a mobile gas service FUEL-UP was selected through document evaluation, mentoring and final evaluation out of the 12 ideas presented from various employees. In the second term, 6 ideas were presented, among which 'Wise Price', a trading platform that sells insoluble raw materials to companies that need them, and 'Man with Carbon' that charges carbonated gas on site were selected. In the third term, out of a total of 23 proposals, the non-face-to-face ordering service, 'Smart Chop Chop', a regular delivery service for homemade beverage kit 'Ganda', and D2C dedicated business 'Workers High' were selected. In the fourth term in 2021, a subscription service through beer equipment rentals and small-capacity craft beer distribution business, 'My Tab' and an open market service for wine shop, 'Winehiker' were selected and are in preparation to launch as new businesses.

Division	1st term (2018)	2nd term (2019)	3rd term (2020)	4th term (2021)
Number of submissions	12 submissions	6 submissions	23 submissions	11 submissions
Selected ideas	Mobile gas service, FUEL-UP	Wise Price, Man with Carbon	Project Ganda, Workers' High	Winehiker, My Tab
Remarks	-	-	Workers' High start-up	In progress



My Tab

Project 'Ganda'

### Key Benefits

- Fund support**  
KRW 10 million (for 1st place)
- Expense support**  
Offer salary equal to current salary and operating expenses (meals, etc.)
- Ensure independence**  
Independent space outside of company  
Flexible clock-in, clock-out times
- Personnel support**  
Can select one team member other than him/herself
- Investments and rewards**  
Initial investment of at least KRW 20 million at the time of the spin-off start-up

### Continued challenge of in-house venture-Workers High

Workers High, which was selected in the 3rd term of Chilsung's in-house venture system was chosen in June 2020 as an office mini-bar business idea, went through a development period of 1 year, and spun out as an independent entity in June 2021. The office mini-bar is a service that sells food and consumer goods through a customized kiosk that accommodates any office environment. As it is based on the Internet of Things (IoT), it possesses the uniqueness of customer service with customized services that increase the accessibility and convenience of office workers, as well as coupons, stamps, reward points etc., and various purchase benefits and subscription services. Workers High signed a business agreement with Interminds, a developer for unmanned store solutions for the AI (artificial intelligence) unmanned retail business, and has agreed to collaborate on the production of AI-based automated sales devices, joint development and operation of services. In response to this, Lotte Chilsung Beverage recognized the business potential of Workers High and made an equity investment of KRW 500 million in accordance with the spin-off of the in-house venture.



Workers High's Spin-off and business cooperation



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## Empathetic Leadership

In a business environment with heightened uncertainty about the future, timely identification and response to customer needs is crucial. As a result, 'empathetic leadership' is essential for companies so that all members can empathize with the goals of the company, understand the significance of their work, and have self-driven motivation that creates performance. Based on empathetic leadership, Lotte Chilsung Beverage is creating a culture where employees can constantly take challenges and autonomously bring out maximum performance through communication. In order to create a Winning Culture through empathetic leadership, we define the various roles and competencies of our leaders and emphasize the efforts they need to make to internalize them. To this end, we are disseminating empathetic leadership through in-house leadership training and corporate culture campaigns, and through Lotte Group's leadership diagnosis, we conduct competency diagnosis for empathetic leaders and provide online training for personnel in the managerial level or higher.

### Role of empathetic leaders for each work process



## Selecting Fearless Chilsung People


Lotte Chilsung Beverage hosts the Fearless Chilsung People Competition to internalize empathetic leadership. We choose 'My leader that I appreciate' for those that takes interest in members and nurtures their capabilities and 'My colleague I'm proud of' among those who passionately fulfills his duties, creating a corporate culture that learns through failure and creates a better future.



Fearless Chilsung People Awards Ceremony


## Pursuing Open Communication

Lotte Chilsung Beverage operates a variety of systems to ensure smooth communication, which is an essential element for advancing corporate culture and strengthening work efficiency.




**Operation of the in-house anonymous communication bulletin board**

With the operation of the in-house anonymous bulletin board 'Relationship that is all open', free and constructive exchange of opinions, such as the employees' proposal of ideas and sharing of suggestions, has been made easy.




**Introduction of the collaboration solution 'Webex teams'**

The introduction of 'Webex teams' has made various forms of work possible. In particular, it served as a foundation that proactively kick-started the work-from-home system in the Covid-19 pandemic with functions such as messenger and video conferencing.



**Construction of a change agent TF**

Change agent TF that has been constructed to advance the corporate culture with small changes, has continuously strived to change and innovate the way we work by identifying business improvement items through employee surveys.



**Junior board**

By organizing the 'Junior Board', an organization directly under the CEO consisting of young talents, has created innovation in the way we work and revitalization of communication. As a representative example, we proposed and introduced a base office to compensate for the shortcomings of telecommuting and enable efficient work. In addition, a non-face-to-face company dinner was operated to revitalize communication between generations and departments and resolve the silo effect so that a total of 600 executives and employees could experience a new type of communication.



The Base Office



Placard of the Non face to face company dinner

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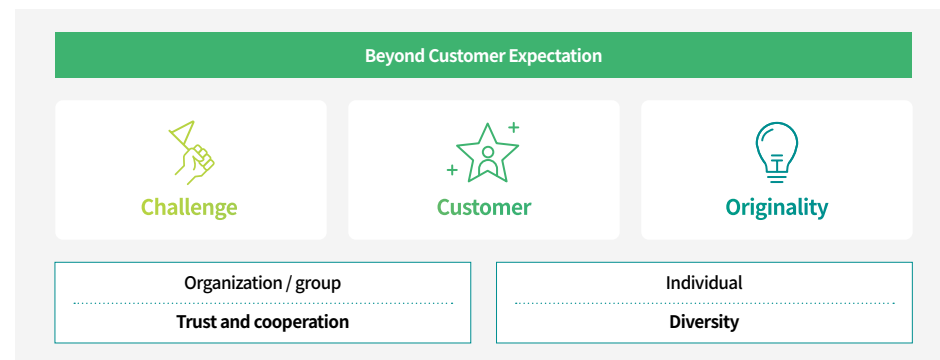
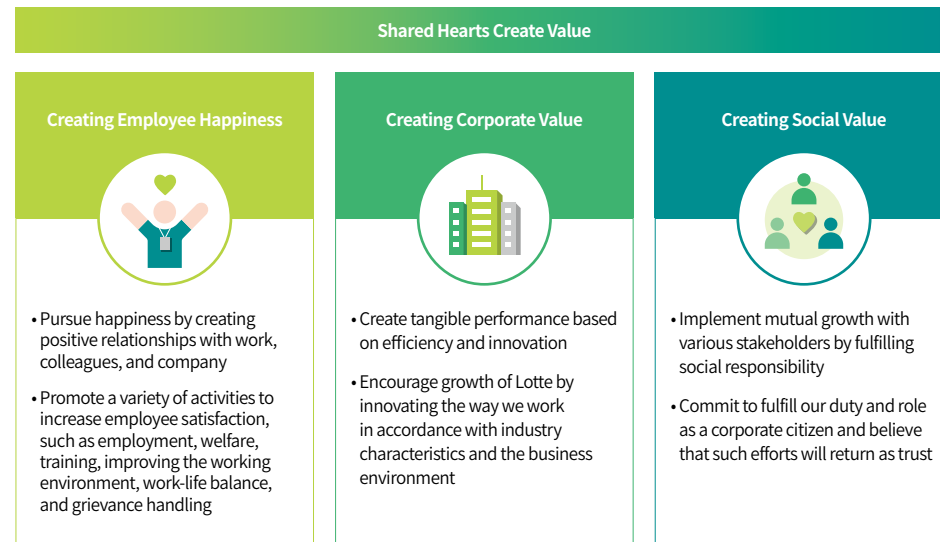
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# ★ Increasing Employee Value

In order to achieve the vision of 'a healthy and respected company', Lotte Chilsung Beverage strives to create a corporate culture where all of its employees create greater value as one unit. In order to achieve sustainable growth of the company, labor and management work together to promote "value creating culture" that pursues the creation of three fundamental values of "employee happiness", "corporate value" and "social value".

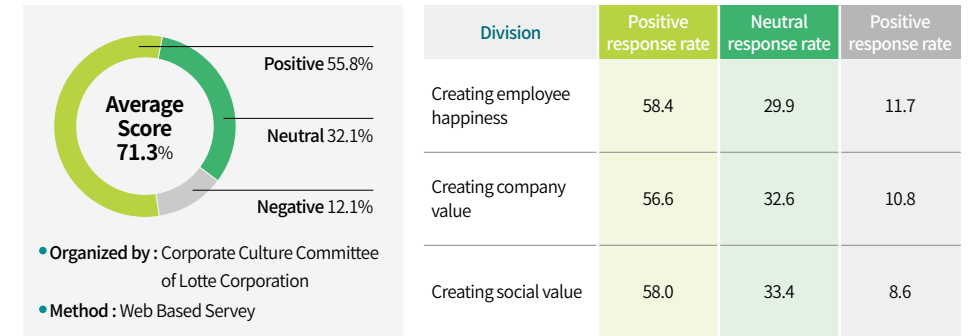
## Value Creating Culture System



## Employee Satisfaction Surveys

Every year, Lotte Chilsung Beverage has been conducting a value creating-culture diagnosis, a satisfaction survey on corporate culture for its employees as a way to identify the strengths and improvement items within the corporate culture. The questionnaires in the satisfaction surveys are about the key items on corporate culture, such as creation of employee happiness, corporate value, and social value. In 2021, a total of 1,700 employees participated, and in accordance to the results of the survey, we make efforts to advance the corporate culture by setting sharing of the company's goals and prioritizing innovation areas as areas for improvement.

(Unit : %)



Based on the results of the value creating-culture diagnosis, Lotte Chilsung Beverage is making various attempts to improve the working environment and the welfare of its members. In particular, we recognize that personal growth leads to the growth of the company, and therefore we support the self-development of our members and guarantee break times as regulations. Employees can freely use the time from 12:00 to 2:00 through the "self-development lunch time" system, which is applied with the autonomous working system, and can enjoy longer weekends using the two-hour early clock-out system on Fridays. In addition, if the employee has to work extended hours due to unavoidable circumstances, the employee can use the 'interval work system' where he or she can come back to work 12 hours after leaving work the night before to ensure post-work rest. In addition to these systems, we continue to create a pleasant and healthy corporate culture, with systems such as summer holiday events, family photo competitions, and compliment review events for new products.



Corporate Culture Returns (New Attempt to improve)

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**Social**

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## Employee Welfare System

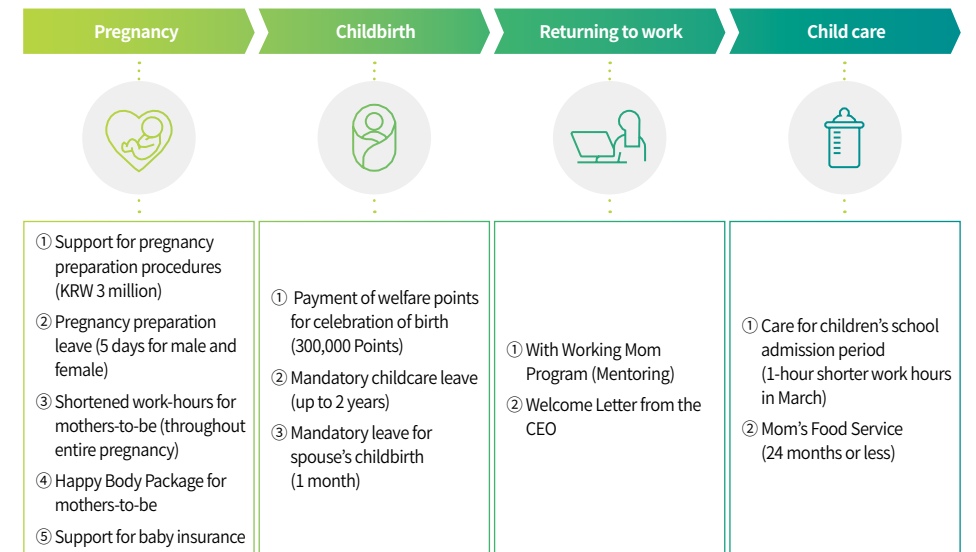
Lotte Chilsung Beverage supports a variety of welfare systems so that all employees, including non-permanent employees, can reach self-fulfillment and enjoy abundant lives. In addition to the four legal major insurance policies, such as health insurance, national pension, employment insurance, and occupational health and safety insurance, we also offer various welfare systems such as in-house workers' welfare fund, registration of employees' group injury insurance, and family care benefit to increase employees' quality of life and to enhance work satisfaction, creating an environment where employees can immerse themselves in work.



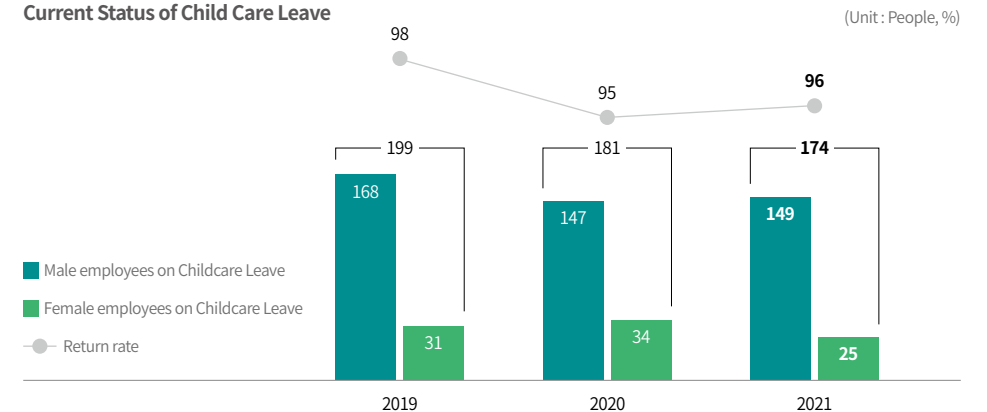
## Operating a Family-Friendly System

Lotte Chilsung Beverage introduced a maternity protection system to prevent female talent from losing their careers due to pregnancy, childbirth, and child care. In addition, we operate a variety of family-friendly systems, such as shortened work hour system to ensure a safe working environment during pregnancy.

### Family friendly system for work-life balance



### Current Status of Child Care Leave



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## Realizing a Creative Labor Management Culture

Under the vision of “value creating labor management culture” based on trust and cooperation, Lotte Chilsung Beverage is creating a labor union and a labor management culture of win-win. Since the establishment of the labor-union in 1974, it has been operating as a non-dispute business for 48 years.

### History of labor management culture

<b>노동조합 설립</b> 1974 The establishment of a labor union	<b>노사평화협정 선언</b> 2008 Declaration of peace between labor and management	<b>노사문화 비전 선포</b> 2010 Declare a Culture Vision for Labor and management
<b>노사파트너십 선언</b> 2013 Declaration of Labor-Management Partnership	<b>창조적 노사문화선포 및 가족 친화우수기업</b> 2015, 여성가족부 The excellent family-friendly company	<b>남녀고용평등 우수기업</b> 2016, 고용노동부 The excellent employment equality Company between men and women
<b>노사문화 우수기업 대상 인증</b> 2018, 고용노동부 Certification of excellent labor-management culture	<b>가치창조 노사문화대상</b> 2019, 롯데그룹사 The Value creation labor-Management Culture Awards	<b>가족친화우수기업 재인증</b> 2020, 여성가족부 Re-certification of excellent family-friendly enterprises

### Creating a labor management culture of trust and win-win

Since the establishment of the labor union, Lotte Chilsung Beverage has been building a development-oriented labor management culture that respects each other and co-prospers, and labor relations that is grounded on faith and trust. From the declaration of the labor management culture's vision in 2010, the declaration of the value-creating culture in 2018, to the labor and management's joint declaration for ESG management in 2021, we have nurtured Lotte Chilsung Beverage through active cooperation and agreement at each moment of crisis.



### Value program for labor management development

In order to solidify an advanced labor management culture, Lotte Chilsung Beverage operates a variety of value programs for labor management development that allow labor and management to grow and make achievements together. Through various training, workshops, and event support, we are working to create a development-oriented labor culture that grows together.

Division	Convention of delegates	Delegate training	Sales, production labor workshop	Bargaining committee workshop
Date	Once a year	Once a year / 2 nights 3 days	Twice a year / 1 night 2 days	Twice a year
Target	Labor-management executives excluding CEO	Union officers, delegates, and directors from management	Field managers	Labor-management negotiating delegate
After 2020	-	On hold due to Covid-19 (To resume after pandemic)		

<b>노동조합 대의원 대회</b> 대표이사 모범조합원 시상 노사정행위향상공유 및 소통	<b>우수사원 격려사 협력</b> 우수사원 포상 해외연수 포상	<b>한마음대회 및 승년회비 지원</b> 조직구성원 소통강화 및 사기진작 매년 5월, 12월 전체회의, 여행 및 주류자금 등	<b>축구대회 및 노사화합 체육대회</b> 임직원 가족 화합과 단결도모 축구대회(4월) 10팀 530명, 매년체육대회(10월) 2,400명(단체회원 포함)																																						
<table border="1"> <tr><th>종류</th><th>주류</th></tr> <tr><td>위원장, 운영위원, 대의원</td><td>위원장, 지부장, 대의원</td></tr> <tr><td>총 99명 참여</td><td>총 38명 참여</td></tr> </table>	종류	주류	위원장, 운영위원, 대의원	위원장, 지부장, 대의원	총 99명 참여	총 38명 참여	<table border="1"> <tr><th colspan="4">포상현황 (단위: 명, 천원)</th></tr> <tr><th colspan="2">2020년</th><th colspan="2">2021년</th></tr> <tr><td>인원</td><td>금액</td><td>인원</td><td>금액</td></tr> <tr><td>82</td><td>135,200</td><td>82</td><td>135,200</td></tr> </table>	포상현황 (단위: 명, 천원)				2020년		2021년		인원	금액	인원	금액	82	135,200	82	135,200	<table border="1"> <tr><th colspan="4">포상현황 (단위: 백만원)</th></tr> <tr><th colspan="2">2020년</th><th colspan="2">2021년</th></tr> <tr><td>품목</td><td>금액</td><td>인원</td><td>금액</td></tr> <tr><td>위스키</td><td>182</td><td>와인</td><td>222</td></tr> </table>	포상현황 (단위: 백만원)				2020년		2021년		품목	금액	인원	금액	위스키	182	와인	222	
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Cooperative activities for labor-management harmony

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# ★ Social Contribution

## Lotte Chilsung Beverage's Social Contribution Activities

In order to realize our social contribution vision of “We value people and Mother Nature and strive to make the world a cleaner place”, Lotte Chilsung Beverage is continuing its social contribution activities centered on three key areas : sustainable communities, clean environments, and mutual growth with stakeholders.



## Our Activities for Sustainable Communities

### Sharing for children's future

Lotte Chilsung Beverage practices a variety of social contribution activities for the underprivileged communities. In particular, we continuously develop sharing activities for the people in socially vulnerable groups, such as children and the elderly. By delivering the funds from the sales of the in-house robot coffee machine and the employees' success funds from Goal Achievement Fund to the Korea Childhood Leukemia Foundation, we supported children from low-income families with funds needed for cancer and leukemia treatment. In addition, since 2019, we have been participating in the “My special Shoes” campaign that supports the production of special shoes for children with medical conditions that cause difficulty in walking. For 3 years, we have supported approximately 150 children with about 300 pairs of shoes with a total of KRW 150 million. From 2019 to 2021, we launched the ‘Chilsung Cider that Delivers Dreams’ campaign two times in collaboration with the Child Fund Korea, and released a limited edition of the Chilsung Cider product, donating a portion of the proceeds to support gifted children who are facing difficulties in nurturing their talents due to financial circumstances.

### Sharing with respect

Lotte Chilsung Beverage has been sponsoring the 1004 NGO since 2015, starting with piggy bank sharing using ‘Chilsung Cider 1.5L PET’ bottles. Every year, we conduct a variety of employee donation events to support providing healthy meals for the elderly through donation funds accrued. In addition, starting with the launch of Chilsung Cider in 2020 and our sponsorship for the 70th 6.25 anniversary event, we are also continuing the regular water bottle delivery service for low-income families of people of national merits with the Ministry of Patriots and Veterans Affairs.

### Creating a culture that practices sharing

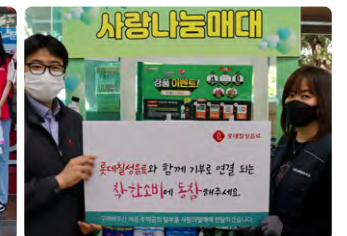
In addition to sharing activities for children and the elderly, Lotte Chilsung Beverage has built ‘kiosks that share love’ in more than 320 businesses across the country and delivers a portion of the sales to local donation organizations and social welfare community fundraisers, operating a donation program in which stores, consumers, and companies can work together. These are the ways that represent how Lotte Chilsung Beverage is taking the lead in internalizing a culture that practices sharing with its neighbors in marginalized groups by operating a variety of donation programs, expanding the donation experience of employees as well as members of the society.



'My special shoes' campaign



Sponsoring 1004 NGO



Building 'Kiosks that share love'

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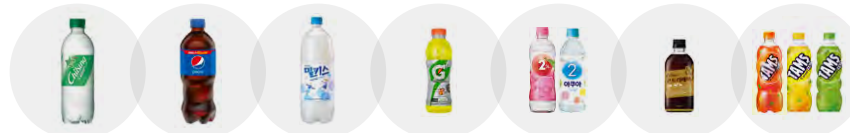
## Expanding Products with Braille to Ensure the Consumers' Right to Choose

Lotte Chilsung Beverage is expanding the application of braille in its products based on its efforts to ensure the right to choose products for consumers with visual impairment. We added “carbonated” to the letters in braille that read as “beverage” in 2017, and starting in 2021, we expanded the braille label by adding the product’s brand name. In addition, we conducted a research study in 2021 on braille labeling on PET beverages for the 500ml Chilsung Cider, a flagship product of Lotte Chilsung Beverage. By conducting 5 production tests with different processing methods, we made sure that the embossing can be maintained even after the drink is inserted into the bottles, and manufactured the products with the height and spacing of the braille in standard specifications for easy reading. We invested a total of KRW 350 million and conducted 3 rounds of modifications with the help of organizations for people with disabilities and applied braille to 12 kinds of beverage PET products, 5 kinds of soju PET products, and one kind of bottled water PET product. In the future, Lotte Chilsung Beverage will continue to expand the introduction of braille-stamped products to ensure the right of all consumers to choose products.



Chilsung Cider, braille stamped product

### Braille-stamped PET products



Chilsung Cider	Pepsi Cola	Milkis	Gatorade	2%	Contrabass	Tams
300ml	300ml					
500ml	500ml					
1.25L	600ml					
1.5L	1.25L	1.5L	600ml	350ml	400ml	600ml
1.8L	1.5L			500ml		
2.0L	1.8L					1.5L
	2.0L					

## Our Practices to Make a Clean Environment

### Water that protects biodiversity

Lotte Chilsung Beverage runs a variety of activities to make our environment a cleaner place. In addition to our efforts in reducing the consumption of resources during the production phase and expanding label-free products to increase the recyclability of transparent PET bottles, we are continuing campaigns for environmental protection and biodiversity conservation. In March 2022, we collaborated with a graphic design studio 'Sungsil Graphics', to launch 'ICIS 8.0 X Sungsil Graphics Edition'. We have included a QR code on the product label so that the consumers can have access to information on endangered animals, thereby creating an opportunity to bring attention to marine animals that are decreasing in number and to allow reflection on the meaning of protecting endangered animals.

### Employee-participating ESG campaigns

The 'Jae-Re (Proper Recycling) Challenge', an employee-participating campaign for recycling was designed with the intention of internalizing ESG management and acquiring the correct method of resource circulation through proper recycling. The Jae-Re Challenge is a campaign where participants can download an eco-friendly activity certification app called 'HERO8' and certify his or her recycling activity by taking photos. We rewarded the participants with zero-waste kits upon certification. In addition to this, we will continue our efforts to maintain a cleaner water and environment by relaunching the '1 Company, 1 River' cleanup activity by the Charlotte Community Service Corps that has been in operation up until the beginning of 2020 but was temporarily on hold due to Covid-19.



Launched 'ICIS 8.0 X Sungsil Graphics Edition'



Employee-participating recycling campaign 'Jae-Re (Proper Recycling) Challenge'

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## Our Practices for Mutual Growth with the Community

Lotte Chilsung Beverage is continuing its efforts to create quality jobs and grow with the community in healthy ways.

### Support for self-reliance of the disabled Donation to the Good Will Store

We are contributing to the creation of jobs for people with disabilities by conducting a donation campaign with 'Good Will Store', a work place for employees with disabilities that helps with resource circulation by selling and reusing goods donated by individuals and companies. In addition to the goods donation campaign by employees, we have donated about KRW 600 million worth of products on about 20 accounts since 2019, and allowed for continuous jobs for 13 people with disabilities.



### Water that shares life Collaboration with the Red Cross

Lotte Chilsung Beverage has signed an agreement with the Korean Red Cross to expand the life sharing culture. In 2021, we delivered about 750,000 bottles of 'ISIS 8.0' with the phrase 'ICIS works in hand with the Red Cross' printed on the product. In this way, Lotte Chilsung Beverage is enhancing the safety of blood donors that are practicing sharing of life and encouraging more participation in blood donations through campaigns with the Red Cross.



### Green Ribbon Campaign Collaboration with the National Center for the Rights of the Child

Lotte Chilsung Beverage is expanding the 'Green Ribbon Campaign' that was launched in January 2020 in collaboration with the Missing Children's Center of the National Center for the Rights of the Child. The 'Green Ribbon Campaign' is an activity that takes part in the search for missing children by attaching guides that introduces missing children on the rear side of 3.5-ton beverage delivery vehicles. We reflected the business sites' opinions that "they are pleased to be able to participate in social contribution activities" and the willingness of a larger number of employee's wanting to attach the guides to their own driving vehicles, and have expanded the number of vehicles with the guides attached from the previous 200 vehicles to approximately 400 vehicles.



### 42nd street business agreement Saving local commercial rights

'42nd street' is a project that is run by the cooperation of 4 market merchant groups of the Dongjak Commercial Area Renaissance and the 1st and 2nd resident community of Sadang area. Lotte Chilsung Beverage is using the brand of its representative carbonated beverage 'Chilsung Cider' to create a themed street in the area from Sadang to Isu station, improving harmful environmental factors and promoting street branding. In the future, we plan to practice mutual growth with the community by offering consulting support for promotion of local areas and commercial revitalization, as well as social contribution activities such as collection of PET bottles and upcycling campaigns.



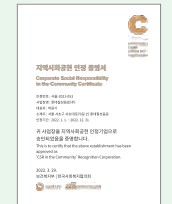
### Water that overcomes difficulties together

On top of such activities, we delivered ICIS bottled waters to the Covid-19 screening clinics and dedicated hospitals in Seoul, Incheon, and Gyeonggi regions for the medical staff who are working at the front lines of preventative measures to overcome the national disaster of Covid-19. Also in March 2022, we donated relief goods for the victims and relief staff that are in the forest fire-affected areas of the in Gangwon, Gyeonbuk region that have suffered the longest and worst case of forest fires in history, to proactively support the relief of the disaster.



### Certification System for CSR in the Community

The certification system for CSR in the Community is a system that identifies companies and organizations that have signed partnership agreements with non-profit organizations and have continuously conducted community contribution activities to recognize them for their efforts. In the global market, ESG and the implementation of the UN SDGs are being emphasized, and as the government's top 100 core challenges require social responsibility, such as realizing the social value of public institutions, raising the image of companies, and managing social risks, the establishment of partnerships with companies and non-profit organizations and communities has become essential. Lotte Chilsung Beverage has been recognized as a company that has formed partnerships with local non-profit organizations and contributed to solving community problems, and has been certified as a company that contributes to the community in 2020 and 2021 consecutively.



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# ★ Enhancing Industrial Safety

Lotte Chilsung Beverage views establishment of a safe work environment as a key element of its business management and strives to build a safety system and conduct accident prevention activities.

## Safety Management Goals and Management System

In accordance with Article 14 of the Occupational Safety and Health Act, the company annually establishes a “Safety and Health Plan” and executes the plan after prior approval by the Board of Directors. In addition, we have reorganized the organization and management system in December 2021 to respond to the “Serious Accident Punishment Act”.

### Safety Management Goals

Lotte Chilsung considers safety and health a core value of corporate management and internalizes a culture of safety with ongoing safety and health management to realize the value of a healthy and respected company.

- 1 Safety and health are key elements of business management and shall be prioritized over any value.
- 2 We recognize that safety and health are the basic rights of individuals and shall actively ensure that the company, personnel, and activities strive for disaster prevention.
- 3 All Chilsung People are in charge of safety in the field of management and therefore shall manage risk factors and comply with safety rules
- 4 Each business site shall establish a system for safety and health management activities at all times and shall preemptively respond to and take measures against dangers.
- 5 Thorough safety and health-related education and training, safety and responsiveness of individuals and business sites shall be ensured.
- 6 We shall establish 2022 as the first year of ‘ZERO’ accidents, and shall take and implement measures to prevent major industrial and civil disasters.

January 1, 2022 CEO Park Yoon-gie

### Lotte Personnel Code of Conduct

- 2-4 Safe Working Environment

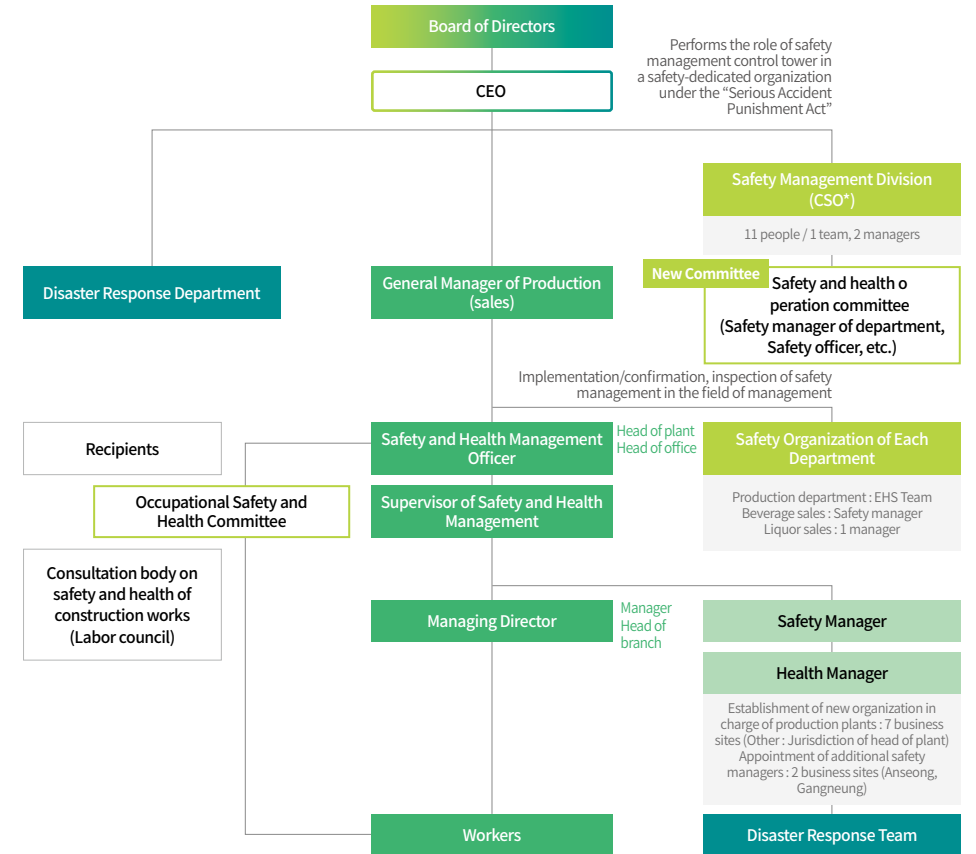
#### Principle of Lotte

We shall not only strictly comply with all laws regarding safety and hygiene, but also establish and follow even stricter inhouse regulations to prevent any safety accidents. We shall be committed to providing a safe working environment not only for Lotte executives and employees, but also for our partners and all stakeholders, and actively spread the significance of safety to them. Lotte employees shall never neglect even any familiar jobs since we know that many accidents are caused by the mind of ‘it’ll never happen’ and ‘carelessness’ in our daily life, not by the lack of experience.

#### Action Plan

1. Prioritize safety more than other values, and do not hesitate to address or correct safety-related problems due to costs, delivery date and practice, etc.
2. Aggressively find out dangerous working conditions and problems threatening safety, and promptly consult with the director or safety manager to improve even minor ones.
3. Be well aware of safety-related regulations and measures in the place where you are working, and follow the user manual, safety regulations and emergency response procedure when using the equipment within the workplace.
4. Analyze the types of possible safety accidents and prepare the initial response manual for each accident. Establish elaborate management plans for the safety of human/material resources regarding the continuous operating of the company such as employees, facilities and IT assets, and conduct education and training for the executives and employees on a regular basis.
5. The executives and employees shall not allow unauthorized access to the workplace of the company, proactively inform partners and stakeholders of the significance of safety and hygiene and request them to follow the regulations.
6. Consult with management if you or your colleagues are having a hard time working normally due to health problems, psychological anxiety, etc.
7. Do not drink too much alcohol to interfere with your performance at work, and do not produce, use, sell, possess any illegal drugs or work after taking such drugs.
8. If a safety accident occurs, do not cover it up; check the facts through accurate investigation so as to make relevant people responsible, and then compensate the victim properly.

### Steering Organization



#### Measures related to the Major Disasters Act

- Establishment of a dedicated safety and health organization : Safety management division (Reorganized the emergency planning team : 8 → 13 people)
- Designated a dedicated department of sales : Production (EHS team) and Sales (5 dedicated personnel in the sales support team)
- Establishment of Committee : Safety and Health Operation Committee (Under the CSO, Working-level Coordination Committee)
- Establishment of a new safety department in production plant : Dedicated organizations (7), direct jurisdiction of Head of plant (4)

\* CSO : Chief Safety Officer



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## Key Achievements in Safety Management in 2021

Lotte Chilsung Beverage has planned/conducted various activities to create a safe working environment and is training personnel to ensure its internal capabilities.

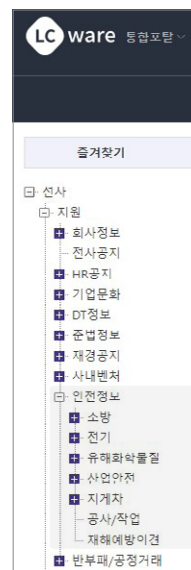
### Establishing a safety management plan

In order to actively perform safety management at each business site, we have established a safety management plan that reflects the characteristics based on the standard safety indicators. In addition, we have established a management system with continuity, such as tracking of risk factors and verification of follow-up measures.

### Expanding information on safety

The company discloses its safety information on the company's website to make it available and applicable for all employees to their duties, and we also enacted/revised business regulations.

### Response system for 'ZERO' accidents



Posting safety-related information on the internal website

### Safety management evaluations

Lotte Chilsung Beverage strives to establish a safe working environment for its employees by conducting safety management evaluations that can serve as material guidance for the safety management of the sites. We evaluate the on-site workers' risk awareness, prevention, and response capabilities for 75 business sites across the country and immediately conduct improvement measures upon detection of risk factors.

### Fostering safety and health managers

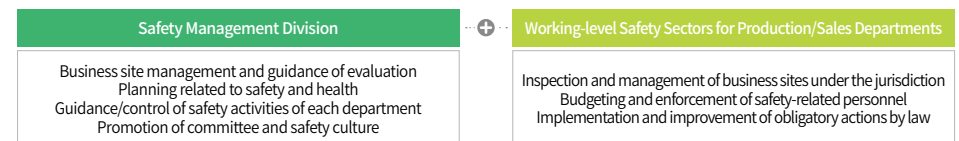
Lotte Chilsung Beverage is fostering safety/health managers to improve its internal management skills. As of 2022, we have secured the workforce for 11 business sites with extensive support, including support with training expenses for obtaining certificates and offering separate allowance upon the appointment of appropriate safety managers.

## Safety Management Plan for 2022

Lotte Chilsung Beverage is systematically executing its safety management duties by transitioning into a system that can preemptively counter major disasters, and we are active in creating a safe working environment by increasing the project budget.

### Clarifying the role of dedicated organizations

We have clarified the R&R of the newly organized Safety Management Division and the roles among the safety management working-level sectors for each department.



### Innovative measures for safety management



### Management of contractors and service sites

- Simultaneous implementation of risk assessment for the contractors
- Reflect the ability to perform safety measures when selecting contractors and require the same level as Lotte Chilsung Beverage's safety management policy

### Accidents recorded (2019-2021)

Division	2019	2020	2021
Number of accidents	22	15	32
Accident rate (%)	0.36	0.26	0.56

### Plans for investment in safety (Increasing scale of investment)

(Unit : KRW 100 million)

Division	2021	2022	Variation
<b>Total</b>	<b>47.60</b>	<b>102.40</b>	<b>54.80</b>
Education and training costs	0.87	0.95(0.93%)	0.09
Book printing costs	0.02	0.02(0.02%)	-
Welfare			
Rewards	0.10	0.15(0.15%)	0.05
Medicine/medical care	0.44	0.49(0.48%)	0.04
Special health diagnosis	0.64	0.70(0.68%)	0.06
Consumables			
Safety equipment	2.51	2.76(2.70%)	0.25
Repair maintenance/Investment costs (construction, machinery, equipment)	6.68	57.35(56.0%)	50.67
Payments (evaluation, diagnosis, inspection)	36.34	39.98(39.0%)	3.63

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Sustainable Supply Chain Management

Win-win Program for Mutual Growth

Human Rights Management

Talent Management

Increasing Employee Value

Social Contribution

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Lotte Chilsung Beverage  
2021 Sustainability Report

A healthy and respected company

## Managing Hazardous Chemicals

Lotte Chilsung Beverage prevents chemical accidents by managing hazardous chemicals. Hazardous chemicals are mainly used for CIP\* for washing pipes and tanks in the production line, ink for coding agents for labeling products' expiration dates, and pH regulators for wastewater treatment.

In order to prevent hazardous chemical accidents, we post warning signs and MSDS\*\* in facilities that store or handle chemicals and installed protective equipment boxes at each facility so that handlers wear protective equipment when handling chemicals. Every month, we check the condition and quantity of the protective equipment provided in the protective equipment boxes, and we conduct a self-inspection of the storage and handling facilities once a week. We systematically manage all personnel who handle hazardous chemicals, conducting training for direct handlers once every two years, and conduct training for all employees every year to instill handlers' awareness on chemicals to allow autonomous prevention of hazardous chemical accidents.

\* CIP : Clean In Place

\*\* MSDS : Material Safety Data Sheets

## Emergency Response Training

Lotte Chilsung Beverage has established a system that can respond to occupational safety accidents by organizing a self-defense unit for each business site under the safety management team. Under the guide of the safety management team, the safety department in charge of the business site sets a mandatory cycle for emergency response training and conducts mock training to be able to respond to accidents at any time. We conduct training for possible occupational safety accidents with various training such as training for closed spaces once every half-year, hazardous chemical leakage accident emergency response training once every half-year, and fire response training once a month, etc.



Fire training-Gangneung Plant



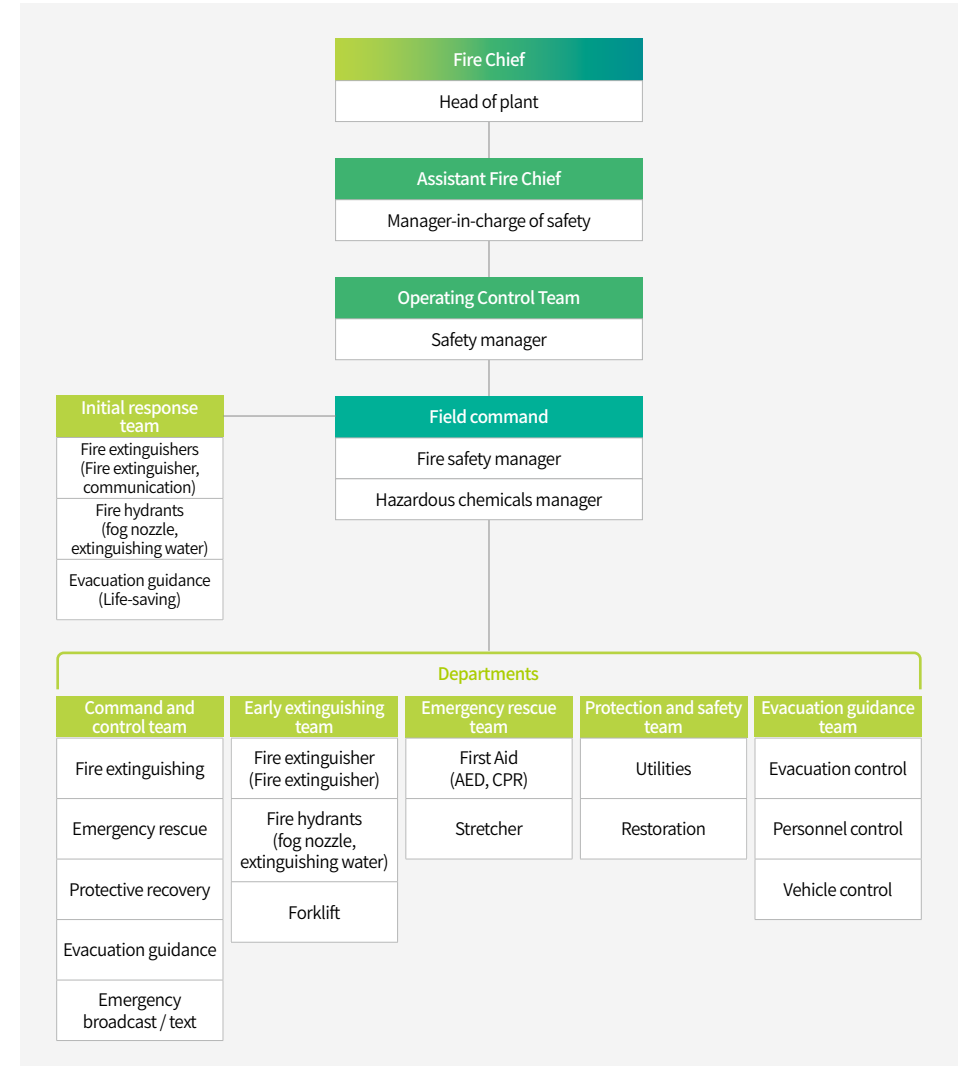
Fire training-Daejeon Plant



Fire training-Anseong Plant-2

## Emergency Response Organization for Occupational Safety Accidents

Lotte Chilsung Beverage has organized a self-defense unit for each business location. We have designated personnel for each organization to conduct emergency response training so that they can take timely action in the event of an occupational safety accident.



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# Governance

— Governance- to strengthen the company

Lotte Chilsung Beverage complies with company's code of ethics and laws and systematically operates a system for transparent business management.



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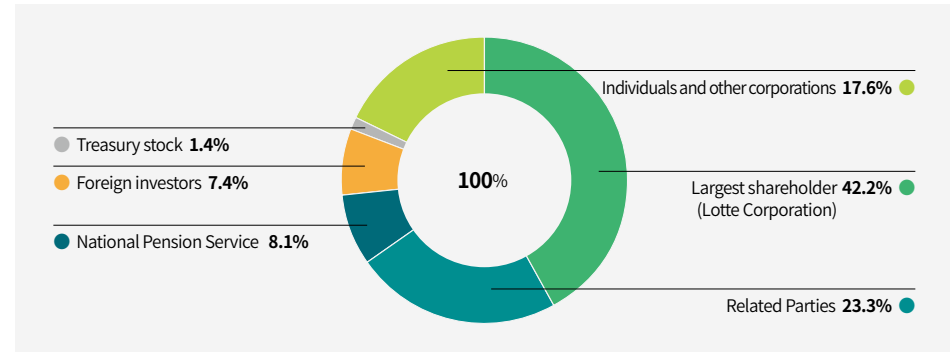
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## Shareholder Information and Status of Shares

The largest shareholder of Lotte Chilsung Beverage is Lotte Corporation, which holds 45.00% of its common stock. This is the structure in which the holding company holds a significant amount of the company's shares in order to meet the parent company's obligatory share rate under the Fair Trade Act.

According to Lotte Chilsung Beverage's Articles of Incorporation, number of issuable shares is 24,000,000 shares and the total number of shares issued to date is 9,278,884 shares of common stocks and 775,310 shares of preferred stocks. With common stock as the basis, the company recognizes the voting right of one share to all shareholders, and guarantees the voting rights of the shareholders in accordance with the Commercial Act and other related laws so that the unique rights of the shareholders, are not infringed.

### Composition of Shareholders



※ As of the end of 2021 and as of the total number of shares issued

### Classification

Division	Classification	Number of Shares
Total number of issued shares	Common Stock	9,278,884
	Preferred Stock	775,310
Number of shares without voting rights	Common Stock	-
	Preferred Stock	775,310
Number of shares with voting rights	Common Stock	9,278,884
	Preferred Stock	775,310

## Investor Relations

Lotte Chilsung Beverage regularly communicates with shareholders and investors through active IR activities. Every quarter, we regularly hold earnings calls where we share our management performance and business strategies, and we also hold earnings calls for foreign investors biannually. For the earnings calls, the data is provided in Korean and English to investors through fair disclosure and the company's website. In recognition of its efforts to strengthen communication with the market and to maximize corporate value and shareholder value through active IR activities, the company was selected as an Excellent Company in Investor Relations (IR) at the 2021 Korea IR Grand Prize Awards organized by the Korea IR Council.

IR Department (IR Team) — TEL +82-2-3479-9449 Mail ellen\_oh@lotte.net



## Shareholder returns, such as dividends

Lotte Chilsung Beverage's dividend is determined by taking into consideration the gradual expansion of shareholder dividends and the increase in corporate value through mid- to long-term investments, and it is our goal to achieve a separate dividend payout ratio of 30% in the mid- to long-term to achieve shareholder-friendly management and increase shareholder profit. As part of its shareholder-friendly management, Lotte Chilsung Beverage has decided to pay dividends for the past 2018-2020 in order to return shareholder value, despite the fact that the closing was recorded as a net loss for each of the years.

In 2021, year-on-year dividends reached KRW 29.8 billion, an increase of about 14.6% from the previous year, as we succeeded in marking a turnaround for the first time in four years. This was the highest total dividend in history.

Division	2019	2020	2021	
Net profit (Loss) (KRW million)	(112,294)	(16,367)	122,607	
Total dividend (KRW million)	22,171	25,956	29,750	
Dividend per share (KRW)	Common Stock	2,700	2,700	3,000
	Preferred Stock	2,705	2,705	3,005
Dividend Payout Ratio (%)	-	-	24.3	

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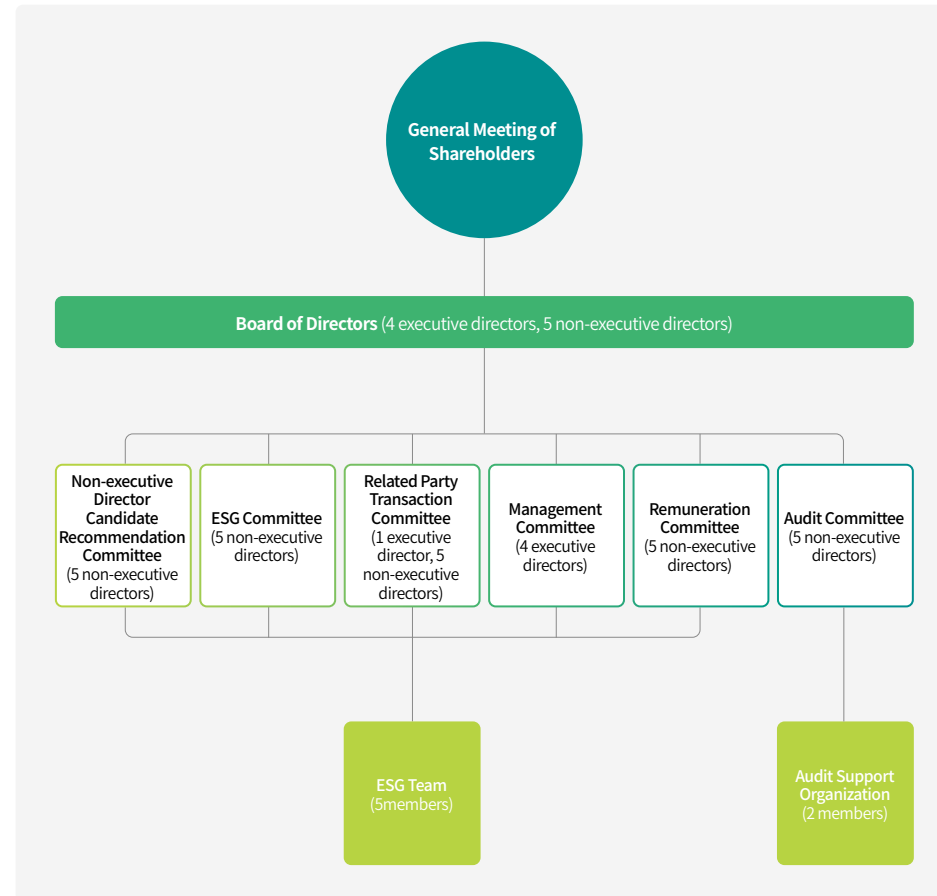
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# ★ Sound Governance

## Composition of the Board of Directors

Lotte Chilsung Beverage is a listed company with a total asset of more than KRW 2 trillion and consists of four executive directors and five non-executive directors pursuant to Article 542-8 of the Commercial Act, and non-executive directors maintain the majority of the total number of directors. In order to perform functions independently of the management and significant shareholders, all committees (excluding the Management Committee) are constituted so that all or majority of the board are non-executive directors. This is true not only for the Board of Directors, but also for each committee as well. Currently, we are limiting the number of terms non-executive directors can serve to less than two to prevent excessive reappointments, and keeping the proportion of female directors on the board to 22%, and are selecting directors between the ages of 40s to the 60s that are experts in each field to ensure diversity of the board.



Division	Name (Gender)	Date of birth	Expertise	Major Career	Office Term
CEO (Chairman)	PARK, Yun-Gie (Male)	1970.1.8	Corporate management	<ul style="list-style-type: none"> <li>Director of Marketing Division, LOTTE Chilsung Beverage</li> <li>Director of Strategic Planning Division, LOTTE Chilsung Beverage Co.,Ltd.</li> <li>(Current) CEO, LOTTE Chilsung Beverage Co.,Ltd.</li> </ul>	Mar. 2021 ~ Mar. 2023
	LEE, Dong-Jin (Male)	1969.2.1	Corporate management	<ul style="list-style-type: none"> <li>Director, LOTTE Group F&amp;B BU</li> <li>(Current) Sales Director, LOTTE Chilsung Liquor</li> </ul>	Mar. 2020 ~ Mar. 2024 (Re-elected once)
Executive Director	LIM, Joon-Beom (Male)	1972.8.15	Corporate management	<ul style="list-style-type: none"> <li>CFO, LOTTE Chilsung Beverage Co.,Ltd.</li> <li>(Current) Director of Strategic Planning Division, LOTTE Chilsung Beverage Co.,Ltd.</li> </ul>	Mar. 2020 ~ Mar. 2024 (Re-elected once)
	SONG, Hyo-Jin (Female)	1976.12.5	Finance	<ul style="list-style-type: none"> <li>Head of Lotte Chilsung Beverage's Beverage Accounting Team</li> <li>(Current) CFO, LOTTE Chilsung Beverage Co.,Ltd.</li> </ul>	Mar. 2021 ~ Mar. 2023
Non-executive Directors	BAEK, Won-Seon (Male)	1958.10.6	Finance	<ul style="list-style-type: none"> <li>Advisory Professor, Financial Supervisory Service</li> <li>(Current) Professor, Sungkyunkwan University Business School</li> </ul>	Mar. 2020 ~ Mar. 2024 (Re-elected once)
	HAN, Bo-Hyeong (Male)	1973.3.14	Electrical and information engineering	<ul style="list-style-type: none"> <li>Professor, POSTECH School of Computer Science and Engineering</li> <li>(Current) Professor, Seoul National University School of Electrical and Computer Engineering</li> </ul>	Mar. 2019 ~ Mar. 2023 (Re-elected once)
	MOON, Jeong-Hoon (Male)	1972.12.6	Food Business	<ul style="list-style-type: none"> <li>Assistant Professor, KAIST College of Business</li> <li>(Current) Professor, Department of Agricultural Economics and Rural Development, Seoul National University</li> </ul>	Mar. 2020 ~ Mar. 2024 (Re-elected once)
	LIM, Gyeong-Gu (Male)	1961.6.25	Tax affairs	<ul style="list-style-type: none"> <li>Director General of Investigation Bureau, National Tax Service</li> <li>(Current) CPTA (Certified Public Tax Accountant), K Partners (Tax Services Company)</li> </ul>	Mar. 2021 ~ Mar. 2023
	CHO, Hyun-Wook (Female)	1966.11.10	Law (Lawyer)	<ul style="list-style-type: none"> <li>Judge, district and high court</li> <li>(Current) Lawyer, The Jo-Eun (Law Firm)</li> </ul>	Mar. 2021 ~ Mar. 2023

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## Operation of Board of Directors

Lotte Chilsung Beverage operates the Board of Directors in compliance with the independence, professionalism, and diversity standards of the Board of Directors through the Company's Articles of Incorporation, Board of Directors and Committee regulations, in addition to the Corporate Governance Charter, which contains its commitment to establishing sound governance and specific action plans. The holding of the Board of Directors is divided into regular board meetings and ad-hoc board meetings in accordance with the Board of Directors regulations, and the regular board meeting is held once every quarter. The Board of Directors shall be attended by at least one-half of the board of directors, and the resolution shall be decided in favor of at least one-half of the board of directors attending. In addition, the ESG team and the Audit Support Organization provide the necessary information and resources as needed to support the well-ordered performance of non-executive directors on the Board of Directors.

### Board of Directors and Committees under the Board of Directors in 2021

Division	Number of times held	Attendance rate	Number of items	Key items discussed
Board of Directors	9 times	96%	8 reported, 33 resolutions made	<ul style="list-style-type: none"> <li>Approval of take over of Lotte Aluminum PET business of</li> <li>Capital increase by issuing new stocks and conclusion of contract for investment in-kind</li> <li>Enactment of the Corporate Governance Charter</li> <li>Merger of MJA Wine</li> <li>Establishment of the ESG committee</li> </ul>
Audit Committee	7 times	94%	15 reported, 10 resolutions made	<ul style="list-style-type: none"> <li>Evaluation of the operating status of the internal accounting management system</li> <li>Drafting and submission of audit reports</li> <li>Communication with external auditors</li> <li>Election of manager in charge of the Audit Support Organization</li> </ul>
Non-executive Director Candidate Recommendation Committee	3 times	100%	3 resolutions made	<ul style="list-style-type: none"> <li>Recommendation of non-executive director candidates</li> </ul>
Remuneration Committee	3 times	100%	5 resolutions made	<ul style="list-style-type: none"> <li>Establishment of remuneration limits of directors</li> <li>Remuneration of management performance incentives</li> </ul>
Related Party Transaction Committee	2 times	92%	2 resolutions made	<ul style="list-style-type: none"> <li>Renewal of the integrated logistics contract</li> </ul>
ESG Committee	2 times	90%	1 reported, 1 resolution made	<ul style="list-style-type: none"> <li>Election of the Chairman</li> <li>Reporting of ESG status and performances</li> </ul>
Management Committee	2 times	100%	3 resolutions made	<ul style="list-style-type: none"> <li>Enforcement of donation funds</li> </ul>

## Committees within the Board of Directors

The Board of Directors of Lotte Chilsung Beverage has delegated professional authority to a total of six committees in accordance with Article 37 of the Articles of Incorporation and Article 5-10 of the Board of Directors Regulations to improve the efficiency of the Board operations. As described in the table below, the Board of Directors consists of a majority of non-executive directors, among which the Audit Committee, the Non-executive Director Candidate Recommendation Committee, the Remuneration Committee, and the ESG Committee are all non-executive directors. However, in the case of the Management Committee, since it is a committee that deliberates and votes only on matters delegated by the Board based on the rules of the Management Committee, it is composed of all executive directors to expedite the decision-making. The organization, operation and authority of the Committee are specified due to the regulations of each committee, and the matters resolved by the Committee based on the regulations of each committee are reported to the Board of Directors through the delivery of item-related documents.

Committees	Chairman	Members	The main role of the committee
<b>Audit Committee</b>	BAEK, Won-Seon Non-executive Director	HAN, Bo-Hyeong Non-executive Director MOON, Jeong-Hoon Non-executive Director LIM, Gyeong-Gu Non-executive Director CHO, Hyun-Wook Non-executive Director	<ul style="list-style-type: none"> <li>Auditing of accounting and job duties and selection of external auditors</li> </ul>
<b>Non-executive Director Candidate Recommendation Committee</b>	BAEK, Won-Seon Non-executive Director	HAN, Bo-Hyeong Non-executive Director MOON, Jeong-Hoon Non-executive Director LIM, Gyeong-Gu Non-executive Director CHO, Hyun-Wook Non-executive Director	<ul style="list-style-type: none"> <li>Recommendation of non-executive director candidates to be elected by the General Meeting of Shareholders</li> </ul>
<b>Related Party Transaction Committee</b>	PARK, Yun-Gie Executive Director	BAEK, Won-Seon Non-executive Director HAN, Bo-Hyeong Non-executive Director MOON, Jeong-Hoon Non-executive Director LIM, Gyeong-Gu Non-executive Director CHO, Hyun-Wook Non-executive Director	<ul style="list-style-type: none"> <li>Evaluation and approval of large-scale contracts of KRW 10 billion or more with affiliated companies (however, the scope of affiliated companies is limited to advertising, SI, logistics, and construction)</li> </ul>
<b>Management Committee</b>	PARK, Yun-Gie Executive Director	LEE, Dong-Jin Executive Director LIM, Joon-Beom Executive Director SONG, Hyo-Jin Executive Director	<ul style="list-style-type: none"> <li>Deliberation and voting on matters delegated by the Board of Directors</li> </ul>
<b>Remuneration Committee</b>	BAEK, Won-Seon Non-executive Director	HAN, Bo-Hyeong Non-executive Director MOON, Jeong-Hoon Non-executive Director LIM, Gyeong-Gu Non-executive Director CHO, Hyun-Wook Non-executive Director	<ul style="list-style-type: none"> <li>Approval of the remuneration limit for registered directors to be submitted to the General Meeting of Shareholders</li> <li>Approval of individual remuneration of registered directors (including performance incentives)</li> <li>Approval of remuneration limits by rank for non-registered directors</li> </ul>
<b>ESG Committee</b>	BAEK, Won-Seon Non-executive Director	HAN, Bo-Hyeong Non-executive Director MOON, Jeong-Hoon Non-executive Director LIM, Gyeong-Gu Non-executive Director CHO, Hyun-Wook Non-executive Director	<ul style="list-style-type: none"> <li>Review of the direction of the company's sustainability strategies</li> <li>Collection of results of ESG action plans from the previous year and make strategic plans for the current year</li> <li>Review of key non-financial risks and issues related to the environment and society</li> <li>Final deliberation of non-financial information disclosure, etc.</li> </ul>

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## Assessment of the Board of Directors

Lotte Chilsung Beverage has introduced and conducted an evaluation of board activities starting in 2021 in order to verify the effectiveness and performance of the Board's operations and to increase the sense of responsibility for the board's duties. The evaluation of the Board is conducted in a form in which the board evaluates itself and discusses its results through a survey consisting of the role and responsibilities of the board, its composition, operations, and committee items within the board. In addition to the evaluation itself, active discussions are held during the evaluations, such as reviewing improvements needed for the evaluation items. The results of the board evaluation are disclosed in the business report. Each year, we also conduct evaluations of directors that are approaching expiration of their terms as well as all current non-executive directors. In relation to the evaluation of the activities of non-executive directors, the Board of Directors' attendance rate, the opinion and level of contribution to the Board of Directors' affairs, contribution of effective advice as an expert in a particular field, and the contribution related to internal control for the company's financial risks as an auditor are reviewed comprehensively each year. The results of the evaluation of individual non-executive directors are used to promote efficient non-executive director activities and to review the possibility of re-appointment after the end of the term.

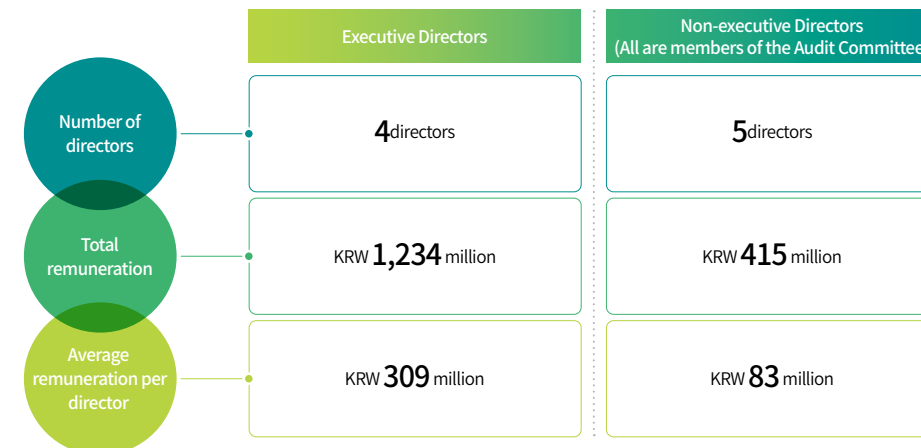
### Evaluation of Board Activities in 2021

(Unit : 5 points)

	Division	Score
Roles and Responsibilities of the Board of Directors (4.9)	Understanding the trends and management goals of the industry in which the company belongs to	5.0
	Active participation in the decision-making process	4.8
	Decision-making that is in line with the company's mid- to long-term management plans	4.9
Composition of the Board of Directors (4.8)	Regular assessment on compliance with laws and regulations	5.0
	Composition of personnel with various expertise	4.9
	Composition of personnel independent from management	4.9
	Procedure for selecting director candidates	5.0
Operation of the Board of Directors (4.8)	Orientation for new directors	4.6
	Regular holding of the Board of Directors meetings	5.0
	Faithful provision and reporting of agenda materials	4.8
	Sufficient deliberation and reasonable voting procedures	4.9
Committees within the Board of Directors (4.8)	Disclosure of Board Activities	4.6
	Adequacy of the number of committees	4.7
	Adequacy of the composition of non-executive directors in the committee	4.9
	Appropriate review of audit duties	4.7
	Audit Committee's report at the General Meeting of Shareholders	4.9

## Remuneration of the Board of Directors

Directors' remuneration is managed transparently and fairly through the Remuneration Committee within the Board. The remuneration limit for directors is approved by the General Meeting of Shareholders through the voting process of the Remuneration Committee, and the individual remuneration is approved by the remuneration Committee to reflect the company's main objectives, such as business performance, contribution to sustainability, and compliance management. In view of the possibility of obstructing the independence of non-executive directors, the evaluation and incentives of non-executive directors are not linked and we operate a separate compensation policy. However, in the case of members of the Audit Committee, we remunerate a separate compensation set out by the Remuneration Committee for their performance in consideration of the Audit Committee's legal responsibilities, and time and effort.



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## Composition and activities of the Audit Committee

The Audit Committee was established in accordance with Article 415-2, Article 542-11 of the Commercial Act and Article 38 of the Articles of Incorporation, and consists of five non-executive directors to ensure independence. The Board of Directors recommends directors who can meet the requirements of the Audit Committee required by law and the Articles of Incorporation, and who can independently perform the duties of overseeing the management of the company and have the expertise and capacity to minimize the company's financial risks. As a result, the company's Audit Committee consists of financial experts and directors with experience in auditing. The Audit Committee is authorized to audit the accounting and duties of the company based on the Audit Committee regulations, and have the authority to request reports on the business related to the board, investigate the state of the company's financial status, and investigate on any violations in the performance of the board's duties or violation on the accounting standards. An internal audit support organization, internal auditing personnel with independence, rank appropriateness, and expertise has been established to support these tasks. This organization is independently organized directly under the Audit Committee and is carrying out all delegated duties.

### Auditor's Reports

Fiscal Year	Auditor	Auditor's Reports
55th term (2021)	Samil PricewaterhouseCoopers	Appropriate
54th term (2020)	Samil PricewaterhouseCoopers	Appropriate
53rd term (2019)	Samil PricewaterhouseCoopers	Appropriate

## External Auditors

Lotte Chilsung Beverage has established standards and procedures for the appointment of external auditors in the Audit Committee regulations. On December 14, 2021, the Audit Committee conducted an external audit candidate evaluation in accordance with the external audit candidate evaluation criteria and evaluation indicator, and as a result of the evaluation, Samil PWC Accountings was selected as an external auditor. In addition, on April 14, 2022, the Audit Committee evaluated the audit activities of Samil PWC Accountings after the end of the external audit for 2021, and concluded that three matters of "Matters concerning audit quality," "Faithfulness to the execution of the audit plan," and "Appropriateness of audit business procedures" met the evaluation criteria and that the audit activities by the external auditor in 2021 were appropriate.

In accordance with the Audit Committee's standards, Lotte Chilsung Beverage periodically conducts communication activities between the Audit Committee and external auditors once every quarter, apart from the management. We have consulted on the main matters related to external audits for each quarter of the period subject to report, and the main matters to consult include the procedure for the external auditor to report directly to the company's Audit Committee on important matters identified during the external audit activities.

### Audit by external auditors/ Current contracts on non-audit service

Fiscal year	Division	Contract date	Content	Remuneration (KRW million)
55th term (2021)	Audit	-	Quarterly and semi-annual financial statements review/ audit of separate and consolidated financial statements, audit of internal accounting management system	840
		Mar. 2021	Tax advisory	652
	Contract date	Apr. 2021	Implementation of the agreed procedure for review of the debenture execution contract	4
		Jun. 2021	Tax advisory	35
		Sep. 2021	Tax adjustment review for 2021	20



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## ★ Company-wide Risk Management

Lotte Chilsung Beverage defines uncertainties that can have a significant impact on its management activities, as well as risks and opportunities that can occur both in Korea and manages them extensively on a company-wide level. Through systematic risk management, we want to identify issues in advance and improve the system so that we can implement preemptive responses and go even further to turn risks into opportunities for value creation. Moving forward, we will continue our efforts to internalize sustainability throughout the company's management, and strengthen management of potential operational risks by establishing policies with a comprehensive perspective.

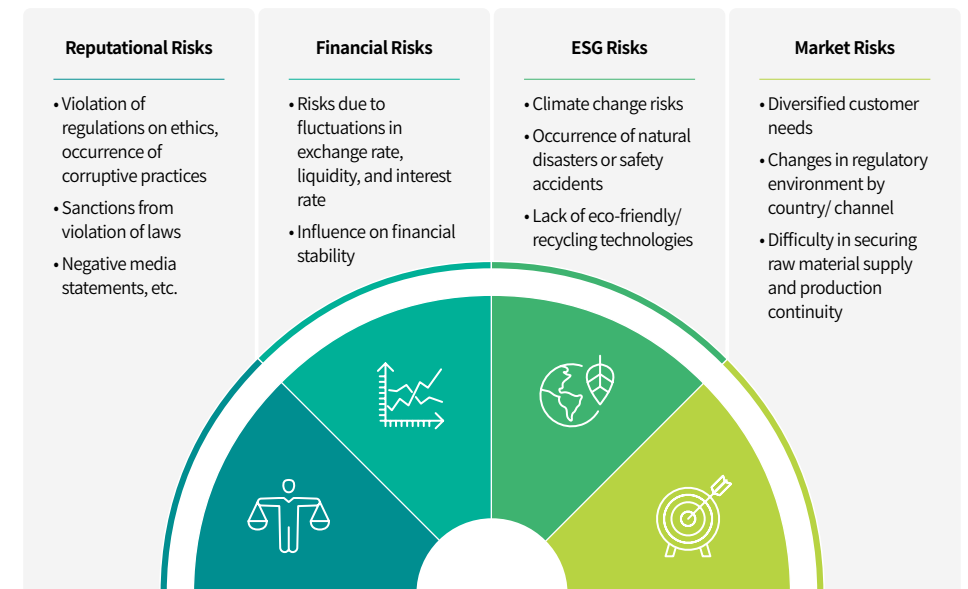
### Risk Management System

Lotte Chilsung Beverage has a systematic risk management system that reflects the characteristics of the business and the requirements of its key stakeholders. The ESG Committee which was newly established in August 2021 under the new Board of Directors, was granted voting rights to review major non-financial risks related to the environment and society, and specified them in the ESG Committee regulations. Each risk is broken down as more detailed risk elements according to its unique tasks and is managed by each relevant department. We strive to identify risks through collaboration among the departments and we discuss items in depth through the ESG Committee when a company-wide decision is required.



### Classification of Risks

Lotte Chilsung Beverage manages risks by classifying them into four categories according to the nature of management. In particular, ethics and legal matters that can have a significant impact on the company's reputation are monitored through a separate organization in order to manage them in greater depth.



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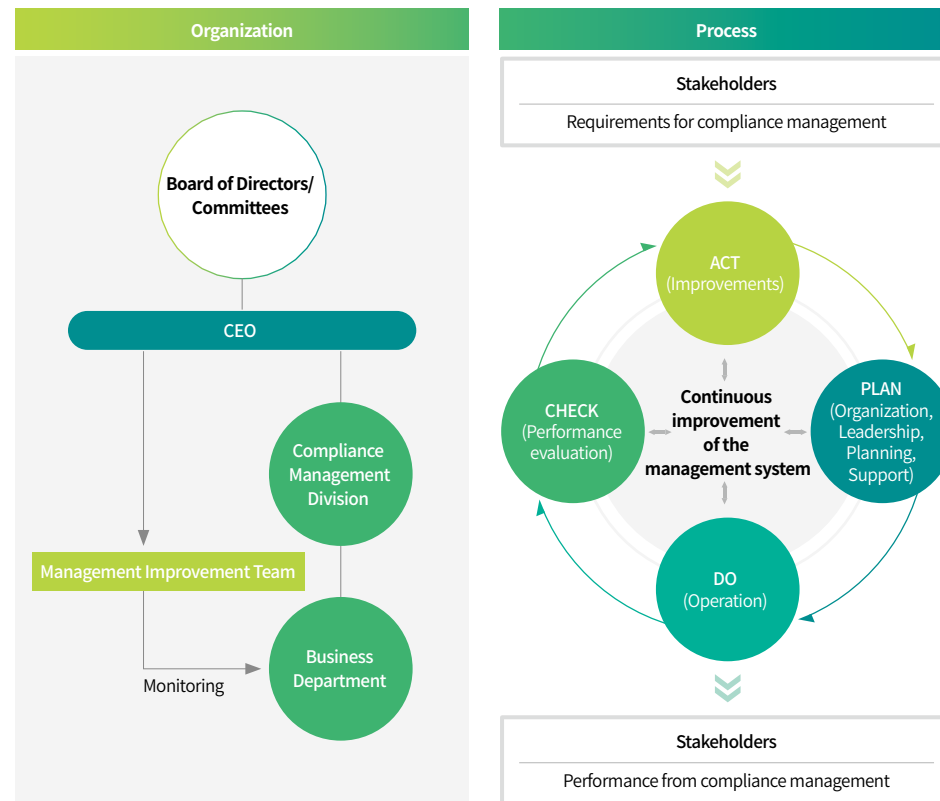
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# ★ Ethical Management

## Compliance System

In order to serve the leading role in meeting social responsibility, Lotte Chilsung Beverage is implementing a compliance system that meets global standards, and is operating programs to prevent compliance risks, such as risks in fair trade and anti-corruption throughout its management activities. The compliance management division that is headed by the Compliance Support Officer who is in charge of compliance, serves as the control tower for corporate compliance and conducts compliance risk assessments each year for all departments in addition to continuous monitoring. As a resolution of the Board of Directors, we declared a compliance management policy to be observed by all employees in August 2021 in order to build trust within the business stakeholders and communities.



※ Based on the compliance management systems, ISO 37301

## Compliance Management Policy

### Compliance Management Policy

In order to achieve Lotte Chilsung Beverage's (hereinafter referred to as the "Company") mission of the Lotte Group, "We enrich people's lives by providing superior products and services that our customers love and trust", we establish and declare standards and policies for the voluntary compliance to fair trade by all employees.

**1. Objective**

This Policy aims to ensure that all members of the Company (CEO, employees, Board of Directors, etc.) comply with and practice compliance obligations related to the Company's management activities, thereby complying with the principles and responding to the compliance requirements of the Company's partners, suppliers, customers or other business stakeholders (hereinafter referred to as "Stakeholders"), and going further to build the trust of stakeholders and communities.

**2. Establishment of Compliance Obligations**

The Company shall establish compliance obligations related to its management activities (laws, enforcement decrees, enforcement rules, notices, conventions, ordinances, internal regulations, and all binding agreements of the company), continuously improve the compliance system, and assist all members of the Company to comply with the compliance obligations.

**3. Adherence to Compliance Obligations**

All members of the Company shall adhere to the compliance obligations related to the performance of their duties in performing their duties and shall not engage in or solicit violations of the compliance obligations.

**4. Contribution to the Achievement of the Company's Objective**

All members of the Company shall contribute to the achievement of the Company's objectives by minimizing compliance risks by familiarizing and complying with this policy and the compliance management system.

**5. Implementation and improvement of the Compliance Obligations**

The Company shall appoint a Compliance Officer, operate the compliance management system, and continuously improve it eliminate violations of compliance obligations by all members.

**6. Authorities and Duties of the Compliance Officer**

The Board of Directors gives the Compliance Officer the independent responsibility and authority to minimize violations of compliance obligations and is obliged to provide advisory and provide guidance on issues related to the company's compliance management system.

**7. Protection and Confidentiality for the Whistleblowers**

The Company shall keep the whistleblowers' personal information confidential to protect the whistleblower from being evaluated, placed, and economically disadvantaged for prosecuting and reporting the violator of the compliance obligations.

**8. Measures in case of Non-compliance with the Compliance Policy**

The Company may take disciplinary action in accordance with the regulations if a member of the Company violates this policy, the above-mentioned laws, and compliance obligations, or does not take reasonable measures upon detection of violation for prevention.

**9. Addendum**

This policy shall be in effect from the date of implementation. In the event of any changes, such as additions and collection, we shall publicize through in-house notifications 10 days prior to the implementation of the changes.

August 10, 2021, CEO Park Yun-Gie



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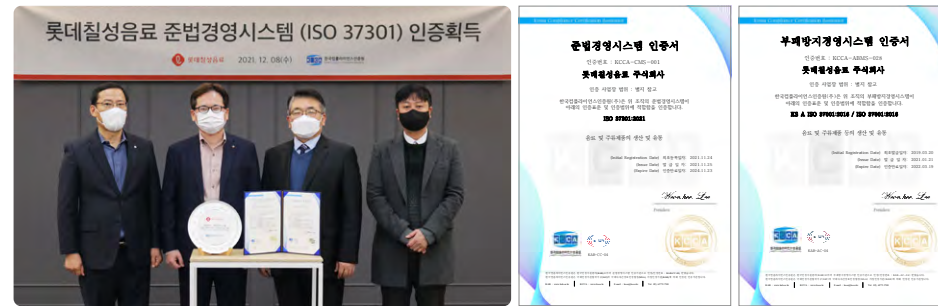
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### ISO 37301 Certification and Re-certification of ISO37001

As the first in the domestic beverage and liquor industry, Lotte Chilsung Beverage acquired ISO37301 (compliance management system) certification on December 8 2021, from the Korea Compliance Certification Agency, an authorized certification agency. ISO37301 (compliance management system) is an international standard established by the ISO (International Organization for Standardization) and is an international certification that evaluates whether compliance policies and risk response systems that can occur throughout the company's management are in line with the global standards and is in effective operation. Through the ISO37301 certification, we will further enhance our compliance response system by reviewing the risks of all regulations and laws associated with our business and expand areas for compliance. In addition, when we acquired the ISO37301, we also renewed ISO37001, an anti-bribery management system we originally acquired in 2019. Along with ISO37301, we plan to conduct post-examinations and renewal examinations for this certification each year.



ISO 37301 Certificate      ISO 37001 Certificate

### Fair Trade Compliance Program

In 2006, Lotte Chilsung Beverage introduced the Fair Trade Compliance Program (CP) to autonomously comply with fair trade-related laws and regulations, and is striving to prevent unfair trading practices and to build a fair trade culture. Based on the compliance management team, which acts as a supervisor for all businesses related to fair trade, compliance personnel from each sector are working together to operate CP in a systematic and efficient manner. We create and distribute fair trade manuals and use them as job manuals, and we also conduct regular training on the revision of relevant laws and regulations for the business departments. In addition, the company regularly applies for CP rating assessments organized by the Fair Trade Commission to evaluate its operating status.

### Compliance Training

Lotte Chilsung Beverage conducts ethical management training in a variety of ways, including online and face-to-face group training, to internalize ethical management for all employees, including non-permanent employees. By providing customized content by tier and topic, we ensure the effectiveness of the training, especially making the need for the practice of ethical management, how to use the whistleblower site, etc. a mandatory training. In order to raise awareness of compliance and ethical management and to prevent risks, we have expanded the target every year since we began conducted training for the department managers in 2018, and in 2020, we have conducted a group ethics and compliance training for all employees. In addition, the compliance department has been conducting intensive training since 2019 to ensure the internalization of the compliance culture for Lotte Chilsung Beverage's employees.

#### Training on Compliance (Fair Trade & Anti-Corruption)

	Division	Unit	2019	2020	2021
Training for all employees	Number of courses	Courses	1	1	1
	Total hours of training	Hours	2	2	2
	Personnel that have received training/ Target	People (%)	3,513/3,551 (99%)	5,075/5,193 (98%)	5,073/5,109 (99%)
Intensive training for compliance related departments	Number of courses	Courses	2	1	-
	Total hours of training	Hours	2	1	-
	Personnel that have received training/ Target	People (%)	1,045/1,045 (100%)	2,341/2,341 (100%)	-

### Compliance System

The compliance system aims to help Lotte Chilsung Beverage's employees easily respond to the legal risks that may arise in business processes and to ensure that various legal risks in management activities do not occur. The summary of regulations, manuals, and guidelines of the seven major legal issues related to the Company (personal information, fair trade, anti-corruption, food hygiene, consumer service, human resources, labor, industrial safety, and liquor regulation) are provided in the form of the company's internal website. A bulletin board for questions related to legal issues which the compliance management team answers in real time is also set in place. With such compliance system, we are effectively preventing the occurrence of legal risks.



Website of the Company's Compliance System

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## Ethical Management System

Lotte Chilsung Beverage discloses the Code of Ethics and the Ethical Code of Conduct, which form the foundations of ethical management for its stakeholders, including employees and business partners as a way to provide directions so that they can make ethically correct decisions and practice them. The ethical management system consists of responsibilities that a company, or a large organization should fulfill, prevention measures of conflicts between members and stakeholders, and content that serves as a standard for mutual respect.

**LOTTE Code of Ethics**

We at Lotte will think, judge, and behave in an upright manner, fulfill our social responsibilities, pursue the common good of stakeholders, the country, and of humankind, and will strive to continue to develop as a world-class business based on the corporate philosophy of focusing on customers, creativity, and quality.

To this end, Lotte has enacted the following Code of Ethics to be followed by the company and its employees, and commits to implementing it.

**Chapter 1. Customers**  
 1-1. Customers are our reason for being. We shall make decisions and create value from our customers' perspective and put priority on 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 faithfulness.  
 2-2. We shall observe the law, adhere to 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 keep the Company's prestige, to maintain our dignity as members of society, and to be respected and trusted by those with whom we do business.  
 3-2. We shall engage in bold endeavors and innovation with a firm sense of mission, and shall strive to contribute to the Company actively and creatively through mutual cooperation and harmony.  
 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 expectation of illicit returns, 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 handling 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.

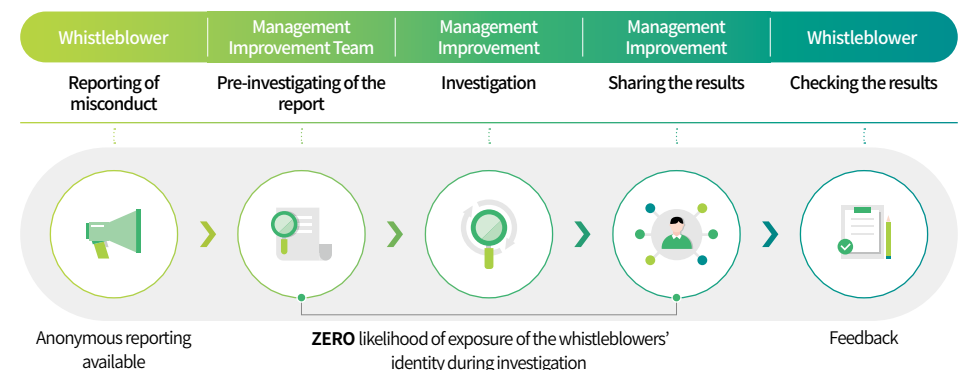
**Chapter 4. Subcontractors**  
 4-1. We shall give subcontractors equal opportunity and strive to provide mutual benefit through transparent transactions with good products and prices.  
 4-2. We shall not make unreasonable requests to subcontractors or receive money/valuables/entertainment using our position of advantage. 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 healthy business activities, create wealth for society, and strive to improve the quality of the lives of people.  
 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, the 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.

## Operating the Reporting Channel

Lotte Chilsung Beverage operates a whistleblowers' channel where employees as well as third parties can consult and report matters that go against our Code of Conduct and regulations. The reporting channel is accessible by anyone through the corporation or the company's website, and can also be reported through the "Ethics Hotline". We operate a process that allows anonymous reporting and zeroes out any possibility of identity exposure of the whistleblower from the first stage. In addition, we provide regulations for the protection of the whistleblowers to institutionally support their anonymity.

### Receipt of report and investigation procedures



### Current status of the reporting channel (including grievance support)

Division	Lotte Corporations' reporting channel	Lotte Chilsung Beverage's reporting system	Ethics Hotline
<b>Department</b>	Lotte Corporations' management improvement team	Lotte Chilsung Beverage's management improvement team	
<b>Channels</b>	<b>Phone</b>	-	+82-2-2141-2996
	<b>Internet</b>	Online report submission on Lotte Corporations' website	Online report submission on Lotte Chilsung Beverage's website jebo@lotte.net

### Internal regulations on the whistleblowers' protection

- 4.2 Protection of informers and whistleblowers
  - The Management Improvement Team shall not inform or disclose personal information or facts that may be known by assumption so as to protect the identity of the informer and whistleblower in handling information and the reported facts. However, this is not the case if the informer and whistleblower agree to disclosure.
  - After the termination of the investigation, the team will not disclose the identity of the informer and whistleblower unless he or she agrees to it.
  - The Management Improvement Team shall make every effort to ensure that the informer and whistleblower are not subjected to any disadvantage after reporting.

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## Compliance/ Ethics Training

We conduct compliance/ethical management training once every year for all employees, including our contract employees. We operate programs to remind our employees of the relevant regulations centered on everyday examples that may occur while fulfilling job duties.



## Internal Accounting Management System

Lotte Chilsung Beverage established and operates an internal accounting management system in accordance with Article 8 of the External Audit Act (Act on external audit of stock companies), such as joint stock companies, in order to create and disclose reliable accounting information, and has a dedicated organization to manage and operate the system.

The Internal Control Team conducts management of company's standard, risk assessment, change management, assessment and reporting of internal accounting management system's operations, and employee training, and reports the internal accounting management system operations to the General Meeting of Shareholders, the Board of Directors, and the Audit Committee every business year. In addition, in preparation for the audit of the internal accounting management system based on the consolidated financial statements that will be implemented from 2023, we have begun establishing internal accounting management systems for domestic and foreign subsidiaries in 2021.

In November 2019, Lotte Chilsung Beverage established an Audit Support Organization, an organization dedicated to supporting the Audit Committee, directly under the Audit Committee, which is supervising financial reporting and internal and external audits, and conducting independent evaluations of internal accounting operations. In accordance with Article 8, Paragraph 5 of the External Audit Act, the Audit Committee of the company evaluates the operating status of the internal accounting management system and reports it to the Board of Directors every business year.

Based on the design and operation system of the internal accounting management system, Lotte Chilsung Beverage has evaluated the actual operation of the internal accounting management system in 2021, and determined that it is effectively designed and operated by priority items. As a result of an independent evaluation of the operations by the Audit Committee, it was determined that it was also effectively designed and operated by priority items, and the external auditor, Samil PWC Accountings, also expressed its opinion that the system was appropriate.

### Results of internal accounting operations' assessments

Fiscal year	Company	Audit Committee	External Auditor
2019	Appropriate	Appropriate	Appropriate
2020	Appropriate	Appropriate	Appropriate
2021	Appropriate	Appropriate	Appropriate

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# ★ Information Protection Data Security & Privacy

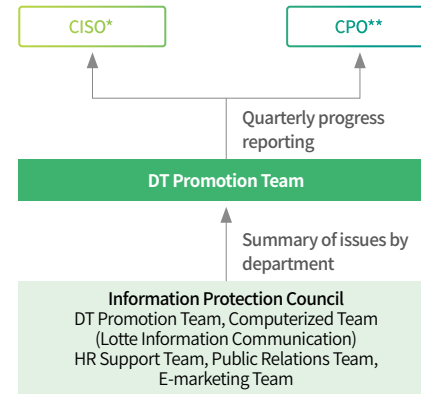
Lotte Chilsung Beverage recognizes the importance of information security and has been promoting the establishment of a system to enhance the security of the company's information as well as personal information. In particular, by establishing a dedicated security organization in December 2021, we have strengthened our security response system and as a result, advanced our systems and plans for information protection.

## Information Protection Management System

Through the DT Promotion team, Lotte Chilsung Beverage oversees the company's and its subsidiaries' practice of data security and privacy of personal information, and regularly holds an information protection working committee based on the relevant regulations to review the current progress.

Currently, the CISO (Personal Information Protection Officer) serves as the CPO (Chief Privacy Officer) and conducts integrated management of risks.

In addition, in order to further strengthen the management system, we have begun preparing for the acquisition of the ISMS-P certification, and plan to acquire it in the second half of 2022.



\* CISO : Chief Information Security Officer  
\*\* CPO : Chief Privacy Officer

## Information Protection Policy(Summary)

We segmented our information protection policy into four categories and established and operate the policy, and have solved a variety of challenges through the systematic efforts of the administrative department and the cooperation of relevant departments.

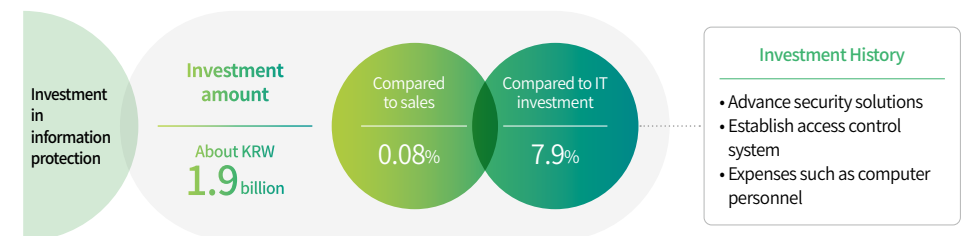
General management	Physical	Technical	Personal information
<ul style="list-style-type: none"> <li>Enhanced security monitoring</li> <li>Revised information security regulations</li> <li>Operated information protection consultative body</li> <li>Increased awareness on information protection</li> <li>Conducted training on information protection</li> </ul>	<ul style="list-style-type: none"> <li>Established office access control system for regular security inspections (authority, management history)</li> </ul>	<ul style="list-style-type: none"> <li>Improved security policy standards</li> <li>Information processing monitoring</li> <li>Operated document security rating system</li> <li>Evaluated system/ web vulnerabilities</li> <li>Response trainings on infringement accidents</li> </ul>	<ul style="list-style-type: none"> <li>Consignment personal information management</li> <li>Protective measures for privacy policy</li> <li>Reviewed adequacy of authorization</li> <li>Improved personal information handling procedures</li> <li>Reviewed personal information handling logs</li> <li>Checked records of connection</li> </ul>

## Key Initiatives for 2021

Tasks in pursuit	Initiatives for 2021	Progress and plans
Enhancement of security monitoring	Conducted monitoring of handlers of personal information	Improvement will be confirmed through regular evaluations
Revision of information security regulations	Established personal information internal management guidelines and regulations Upgraded regulations on personal information processing Added notices upon collecting information Established the personal information processing policy and disclosure regulations, etc.	Revision completed in Jan. 2022
Operation of the Information Protection Consultative Body	Held once every quarter	To be conducted in April, June, October, November
Awareness on information protection	PC self-inspection conducted once a month	Implemented every month
Establishment of the visitor access system	Built DB for authorized visitor's history	Completed, regular review of the status of access authority
Infringement accident response training	Established an infringement accident response system	Posted status on the response system (August)
Consignment personal information management	Identified current status and conducted written assessments	System adoption under review
Privacy policy	Reviewed adequacy of authorization, improved policy for personal information handling	Modified on website (Jan. 2022)

## Investment in Information Protection

We will establish an investment plan based on the Group's information protection policy\* and strengthen the response system through continuous investment.



\* Established policy for ratio of investment in information protection by comparing to sales and IT investment

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We provide detailed data regarding ESG management.



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# ★ Summary of Financial Performance

## Lotte Chilsung Beverage Co., Ltd. and Subsidiaries

(Unit : KRW)

Item	2021 (55th year)	2020 (54th year)	2019 (53rd year)
Assets			
I. Current assets	994,500,442,413	893,273,738,535	788,387,955,913
1. Cash and cash equivalents	384,577,796,934	158,849,601,868	199,410,280,331
2. Short-term financial instruments	15,197,657,890	165,000,000,000	5,000,000,000
3. Trade and other receivables	225,501,980,736	247,110,448,883	255,708,301,365
4. Other financial assets	4,601,012,524	4,301,121,711	4,412,156,155
5. Held-to-maturity financial assets	1,466,355,000	11,605,000	245,805,000
6. Inventories	305,372,216,736	257,369,471,186	273,940,057,416
7. Current tax assets	2,790,379,165	4,875,218,011	1,803,381,856
8. Other assets	54,993,043,428	55,756,271,876	47,867,973,790
II. Non-current assets	2,602,329,680,765	2,572,839,164,390	2,468,122,036,258
1. Long-term financial instruments	115,761,346	66,058,729,947	5,760,200,399
2. Long-term trade and other receivables	1,477,998,940	6,724,842,404	6,274,527,234
3. Other financial assets	65,975,675,328	52,569,666,699	52,788,630,010
4. Financial assets at fair value through profit or loss	444,519,845	473,412,391	335,184,376
5. Financial assets at fair value through other comprehensive income	26,244,792,976	19,935,913,437	25,112,169,914
6. Held-to-maturity financial assets	338,090,000	1,795,300,000	1,649,390,000
7. Deferred tax assets	4,991,218,635	401,542,376	131,080,695
8. Investments in associates and joint ventures	135,119,358,106	130,563,634,058	23,002,553,970
9. Property, plant and equipment assets	2,048,216,396,232	1,939,744,908,385	2,014,589,018,624
10. Right-of-use assets	72,646,408,375	78,006,151,446	80,548,058,491
11. Investment property	129,433,027,560	135,508,526,578	136,766,982,165
12. Intangible assets	105,358,484,001	116,565,138,073	118,580,731,417
13. Other assets	4,013,531,532	11,621,665,025	2,583,508,963
14. Net defined benefit assets	7,954,417,889	12,869,733,571	-
<b>Total assets</b>	<b>3,596,830,123,178</b>	<b>3,466,112,902,925</b>	<b>3,256,509,992,171</b>

Item	2021 (55th year)	2020 (54th year)	2019 (53rd year)
Liabilities			
I. Current liabilities	970,974,140,682	864,944,909,992	941,629,484,452
II. Non-current liabilities	1,180,800,282,566	1,296,281,906,581	1,086,875,619,764
<b>Total liabilities</b>	<b>2,151,774,423,248</b>	<b>2,161,226,816,573</b>	<b>2,028,505,104,216</b>
Capital			
I. Equity attributable to owners of the Parent Company	1,426,729,319,265	1,294,627,755,325	1,212,136,194,493
1. Share capital	5,027,097,000	4,875,216,500	4,384,385,000
2. Hybrid bonds	149,459,980,000	149,459,980,000	149,459,980,000
3. Other components of equity	(676,928,734,399)	(714,290,627,700)	(846,759,594,444)
4. Accumulated other comprehensive income	(12,362,684,708)	(21,659,335,701)	(3,230,608,536)
5. Retained earnings	1,961,533,661,372	1,876,242,522,226	1,908,282,032,473
II. Non-controlling interest	18,326,380,665	10,258,331,027	15,868,693,462
<b>Total equity</b>	<b>1,445,055,699,930</b>	<b>1,304,886,086,352</b>	<b>1,228,004,887,955</b>
Total liabilities and equity	3,596,830,123,178	3,466,112,902,925	3,256,509,992,171
	(January 1, 2021- December 31, 2021)	(January 1, 2020- December 31, 2020)	(January 1, 2019- December 31, 2019)
Sales	2,506,093,270,200	2,257,973,300,939	2,429,527,266,539
Operating profit	182,218,380,367	97,230,309,774	107,665,774,804
Loss for the year	137,076,880,540	(16,801,842,344)	(144,005,703,597)
Attributable to owners of the Parent Company	135,515,807,903	(12,512,118,041)	(142,432,425,123)
Non-controlling interest	1,561,072,637	(4,289,724,303)	(1,573,278,474)
Other comprehensive income	(10,110,770,349)	(11,743,443,180)	3,710,593,039
Losses per share			
Basic and diluted loss per ordinary share	13,341	(2,104)	(17,939)
Basic and diluted loss per preferred share	13,346	(2,099)	(17,934)



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# ★ Financial Performance

## Beverage / Liquor Sales

(Unit : KRW 100 million)

Division	2019	2020	2021	
Beverage	Sales	17,299	16,399	17,959
	Operating profit	1,666	1,254	1,593
		9.6%	7.6%	8.9%
Liquor	Sales	6,996	6,180	7,102
	Operating profit	-589	-282	229
		-8.4%	-4.6%	3.2%
<b>Total</b>	<b>Sales</b>	<b>24,295</b>	<b>22,580</b>	<b>25,061</b>
	<b>Operating profit</b>	<b>1,077</b>	<b>972</b>	<b>1,822</b>
		<b>4.4%</b>	<b>4.3%</b>	<b>7.3%</b>

\* Based on 2021 Business Report Consolidated Financial Statements, note 2.25 (2) on revenue and operating income by reporting sector

## Performance by region

(Unit : KRW million)

Division	2019	2020	2021
South Korea	2,344,826	2,150,295	2,306,884
Pakistan	84,701	83,927	104,166
United States	-	3,992	18,966
Japan	-	14,868	51,685
China	-	1,628	5,389
Myanmar/ Singapore	-	3,263	19,003
<b>Total</b>	<b>2,429,527</b>	<b>2,257,973</b>	<b>2,506,093</b>

\* Based on 2021 Business Report Consolidated Financial Statements, note 2.25 (3) on current sales of major subsidiaries

## Consolidated subsidiaries

(Unit : KRW million)

Company Name	Date of Establishment	Address	Main Business	Total asset at the end of the recent business year	Basis of affiliation	Major subsidiary
Sanchung Beverage Co., Ltd	2003.7.7	59-61 Nammyeong-ro, Shicheon-myeon, Sancheong-gun, Gyeongsangnam-do	Beverage manufacture and sale	23,923	Over 50% stake	Not applicable
Lotte Akhtar Beverages (Private) Limited	1978.8.5	32-N, Gulberg II, Lahore, Pakistan	Beverage manufacture and sale	61,610	Over 50% stake	Not applicable
LOTTE Beverage America Corp.	1979.7.12	3600 Wilshire BLVD., Suite No.836 Los Angeles, CA 90010, USA	Wholesale and other trade	8,528	Over 50% stake	Not applicable
LOTTE Liquor (Beijing) Co., Ltd	2012.9.29	RM 1108 11/F, No.2 Building, No.10 Yard, Wangjing Street, Chaoyang District, Beijing, China	Wholesale and other trade	2,253	Over 50% stake	Not applicable
LOTTE Beverage Holdings (Singapore) Pte. Ltd.	2013.10.30	30 Cecil Street #19-08, Prudential Tower, Singapore (049712)	Business management and management advisory	7,956	Over 50% stake	Not applicable
LOTTE MGS Beverage (Myanmar) Co., Ltd.	2014.2.11	No.362, 11th Street, Zaykabar Industrial Zone, Mingaladon Township, Yangon, Myanmar	Beverage manufacture and sale	17,652	Over 50% stake	Not applicable
LOTTE LIQUOR JAPAN CO., LTD.	1980.3.6	2309, Mita Kokusai Bldg. 1-4-28 Mita Minato-Ku, Tokyo 108-0073, Japan	Wholesale and other trade	40,085	Over 50% stake	Not applicable
GREEN WITH Co., Ltd	2021.6.9	4th floor, 269 Olympic-ro, Songpa-gu, Seoul	Service	885	Over 50% stake	Not applicable
C. H. Beverage Co., Ltd	2008.12.15	59, Seongdae 2-gil, Miwon-myeon, Sang-gu, Cheongju-si, Chungcheongbuk-do	Beverage manufacture and sale	20,241	Over 50% stake	Not applicable
Chungbuk Soju Co., Ltd	2004.8.25	57 Usan-gil, Naesu-eup, Cheongwon-gun, Chungcheongbuk-do	Liquor manufacture and sale	14,623	Over 50% stake	Not applicable
Baekhak Beverage Co., Ltd	2004.10.8	589 Jangbaek-ro, Baekhak-myeon, Yeoncheon-gun, Gyeonggi-do	Beverage manufacture and sale	61,108	Over 50% stake	Not applicable

\* Total asset at the end of the recent business year is based on separate financial statements as of the end of 2021

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# ★ ESG Information and Performance

## Environment

### Plastic shipments

Division	Units	2019	2020	2021
PET bottle shipments	Tons	46,730	46,081	50,030
Other synthetic resin shipments	Tons	4,785	4,686	4,351

\* Integrated shipments for beverage and liquor

### Reducing weight of PET bottles

Division	Units	2019	2020	2021
Weight at normal	Tons	53,035	52,298	55,808
Total shipment weight	Tons	46,730	46,081	50,030
Reduced amount	Tons	-6,305	-6,217	-5,778
Percentage reduced	%	-11.9	-11.9	-10.4

\* Reflected weight before and after pursuing reduction of weight (effects of reduction compared to 2010)

### Energy consumption

Division	Units	2019	2020	2021	
Total energy consumption	TJ	3,021	2,975	3,131	
Energy consumption	Consumption by unit (Compared to sales)	TJ / KRW 100 million	0.129	0.138	0.134
	Consumption by unit (Compared to production)	TJ/kl	0.002	0.002	0.002
Renewable energy consumption	Energy amount by unit	kwh	44,270	42,090	38,877
	Energy unit	TJ	0.425	0.404	0.373
	Percentage of composition (compared to total usage)	%	0.01	0.01	0.01

\* Renewable energy consumption : Including Chungju Plant-2

### Air pollutant emissions

Division	Units	2019	2020	2021
Nitrogen Oxide (NOx)	Tons	35.93	25.45	22.21
Sulfide (SOx)	Tons	0.33	0.08	1.08
Dust	Tons	0.75	0.66	1.15

\* Based on 2021 Environmental Information Disclosure standards

### GHG emissions

Division	Units	2019	2020	2021	
GHG emissions	Scope1	tCO <sub>2</sub> eq	64,141	58,606	57,175
	Scope2	tCO <sub>2</sub> eq	102,266	102,734	105,627
	Total emissions	tCO <sub>2</sub> eq	166,341	161,274	162,748
	Usage by unit (Production amount unit)	tCO <sub>2</sub> eq/kl	0.110	0.116	0.109

\* Emissions based on GHG specifications, including emissions from acquired injection molding plants in 2021

### Waste emissions

Division	Units	2019	2020	2021	
Amount of waste generated	General waste	Tons	32,126	25,809	23,657
	Designated waste	Tons	373	363	259
Amount of waste recycled	Recycled volume	Tons	31,866	25,409	22,661
	Percentage recycled	%	98	97	95

\* Based on 2021 Environmental Information Disclosure standards

### Water consumption

Division	Units	2019	2020	2021
Water consumption		5,079,570	4,771,428	4,923,425
	Groundwater consumption	Tons	1,336,500	1,223,878
Amount of water recycled		493,809	482,597	422,080
Percentage recycled	%	9.7	10.1	8.6

\* Applied with self-developed standards

### Eco-friendly investment performance

Division	Units	2019	2020	2021
Invested amount	KRW million	1,792	1,656	3,018

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### Training support for partner companies

Division	2019	2020	2021
Name of course	Excluding Business Management	Excluding Humanities	Production Management
Number of times held	2	2	10
Trainees (people)	86	76	20

### Employee training status (participants)

Division	Name of course	Target	2019	2020	2021
Environment	Excluding Environmental Laws Education	Representative personnel for relevant job duties	68	25	9
Health / Safety	Excluding Industrial Safety Education	Representative personnel for relevant job duties	1,757 (Beverage)	4,252	4,392
Anti-corruption	Employee Compliance Training (Anti-Corruption 1,2)	All employees	3,513/3,551 (99%)	5,075/5,193 (98%)	5,073/5,109 (99%)
		Compliance-related departments	1,045/1,045 (100%)	2,341/2,341 (100%)	-

### New hires and turnover rates

Division	2019	2020	2021
Current status of new recruits (People)	268	100	265
Turnover rate (%)	8	8	9

### Average length of service

Division	2019	2020	2021
Average length of service (years)	10.9	11.9	12.4

### Employment status by age

Division	2019	2020	2021	
By age (people)	20-29 years old	1,142	858	617
	30-39 years old	2,321	2,286	2,317
	40-49 years old	1,726	1,705	1,759
	Over 50 years old	879	985	1,089
Gender (People)	Male	4,769	4,635	4,509
	Female	1,299	1,199	1,273

### Retirement status by age

Division	2019	2020	2021	
By age (people)	20-29 years old	196	138	97
	30-39 years old	171	165	244
	40-49 years old	81	116	138
	Over 50 years old	28	58	33
Gender (People)	Male	307	260	267
	Female	169	217	245

### Education expenses

Division	2019	2020	2021
Total training expenses (KRW 1,000)	2,630,212	1,577,161	1,813,618
Training cost per person (KRW 1,000)	433	270	314
Training hours per person (hours)	15.3	8.6	8.8

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Current status of child care leaves

Division		2019	2020	2021
Employees on child care leave (people)	Male	168	147	149
	Female	31	34	25
	Total	199	181	174
Return rate (%)		98	95	96

Employee salaries

Division		2019	2020	2021
Salary (KRW million)	Total employee salary	354,250	343,613	362,088
	Average salary per person	58	59	63

Percentage of membership in the union

Division		2019	2020	2021
Number of employees (people)		6,061	5,827	5,773
Membership in the union (people)		2,781	2,759	2,690
	Percentage of membership	45.9%	47.3%	46.6%

\* Number of employees : Based on the number of people who are eligible for membership in the union

Employee volunteering

Division		2019	2020	2021
Number of participants (persons)		1,703	345	79
Total hours		7,670	1,147	206
Hours per person		4.5	3.3	0.04

Ratio of donations to operating income

Division		2019	2020	2021
Percentage of donations (%)		3.9	4.6	2.3

Social contribution expenses

Division		2019	2020	2021
Social welfare		2,506	3,075	2,972
Medical/ health		11	54	150
Expenses (KRW million)	Education/ Academic research	308	215	173
	Arts and culture/ Physical education	1,235	1,120	870
	Environment	221	14	4
<b>Total</b>		<b>4,281</b>	<b>4,479</b>	<b>4,169</b>

Welfare expenses

Division		2019	2020	2021
Total welfare expenses (KRW 100 million)		863	831	847
Welfare expenses per person (KRW million)		14.2	14.3	14.7

Lost time incident rate

Division		2019	2020	2021
Incidents occurred (incidents)		27	15	32
Lost time incident rate (%)		0.363	0.255	0.560

\* Lost time incident rate = Number of disasters × 200,000 / Total working hours

Employment of people with disabilities

Division		2019	2020	2021
Number of full-time employees		6,068	5,834	5,782
Employees (mandatory recruits)		154(189)	144(182)	170(178)
Employment rate		2.54%	2.47%	2.94%
	Compared to mandatory recruits	81.4%	79.1%	95.5%

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## Governance

### Board of Directors

Division		Units	2019	2020	2021	
<b>Total</b>		<b>People</b>	<b>9</b>	<b>9</b>	<b>9</b>	
Composition of the Board of Directors	By type	Executive directors (including other Non-standing directors)	People	4	4	4
		Non-executive directors	People	5	5	5
	Gender	Male	People	8	8	7
Female		People	1	1	2	
Operation of the Board of Directors	Number of meetings held		times	8	9	9
	Number of agenda items	Resolution	Cases	41	24	33
		Reported	Cases	5	7	8

### Status of holding committees under the board of directors

Division		Units	2019	2020	2021	
Audit Committee	Ratio of non-executive directors		%	100	100	100
	Number of meetings held		times	7	7	7
	Number of agenda items		Cases	14	18	25
Remuneration Committee	Ratio of non-executive directors		%	100	100	100
	Number of meetings held		times	2	3	3
	Number of agenda items		Cases	2	4	5
Non-executive Director Candidate Recommendation Committee	Ratio of non-executive directors		%	83	83	100
	Number of meetings held		times	1	2	3
	Number of agenda items		Cases	1	2	3
Related Party Transaction Committee	Ratio of non-executive directors		%	83	83	83
	Number of meetings held		times	2	2	2
	Number of agenda items		Cases	2	2	2
ESG Committee	Ratio of non-executive directors		%	-	-	100
	Number of meetings held		times	-	-	2
	Number of agenda items		Cases	-	-	2
Management Committee	Ratio of non-executive directors		%	0	0	0
	Number of meetings held		times	0	0	2
	Number of agenda items		Cases	0	0	3

### Stock ownership status of the largest shareholder and affiliated persons

As of December 31, 2021

Division	Ordinary Shares		Preferred Shares		Total	
	Number of Shares	Percentage of ownership (%)	Number of Shares	Percentage of ownership (%)	Number of Shares	Percentage of ownership (%)
Lotte Corporation	4,175,694	45.00	64,890	8.37	4,240,584	42.18
Lotte Aluminum Co., Ltd	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
Lotte Foundation for Arts	-	0.00	9,200	1.19	9,200	0.09
Hotel Lotte Co., Ltd	473,450	5.10	37,470	4.83	510,920	5.08
LOTTE HOLDINGS CO.,LTD	109,830	1.18	-	0.00	109,830	1.09
Dong Bin Shin	43,367	0.47	63,862	8.24	107,229	1.07
Yeong Ja Shin	247,073	2.66	48,213	6.22	295,286	2.94
Dong Joo Shin	-	0.00	27,445	3.54	27,445	0.27
Yoo Mi Shin	770	0.01	-	0.00	770	0.01
Young Gu Lee	930	0.01	-	0.00	930	0.01
Yun Gie Park	500	0.01	-	0.00	500	0.00
<b>Total</b>	<b>6,262,164</b>	<b>67.49</b>	<b>321,230</b>	<b>41.43</b>	<b>6,583,394</b>	<b>65.47</b>

### Association fees

Division	Units	2019	2020	2021
Association expenses (year)	KRW million	1,014	858	877

\* Major affiliated associations : Korea Chamber of Commerce and Industry, Federation of Korean Industries, Korea Liquor Industry Association, Korea Enterprises Federation, Korea Food Industry Association, etc.

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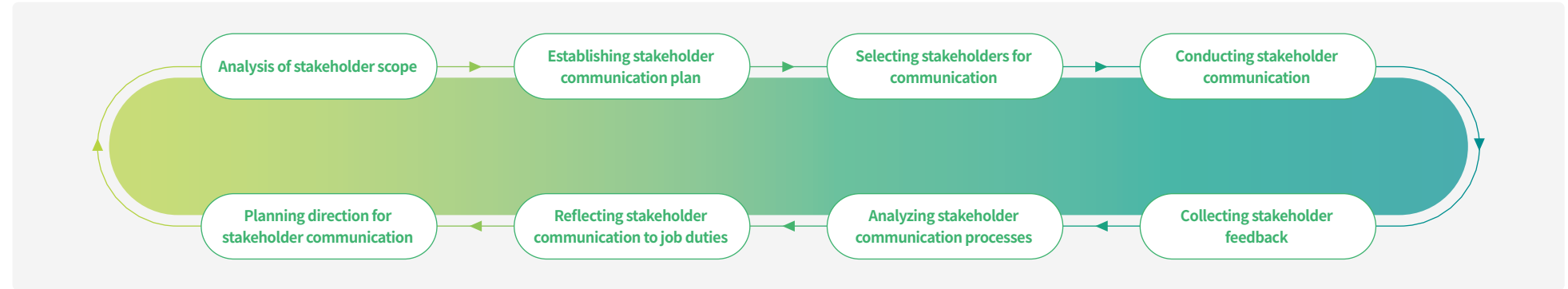
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# ★ Stakeholder Engagement

## Stakeholder Engagement Process



## Stakeholder Communication

	Shareholders and investors	Employees	Consumers	Local communities	Government
<b>Major interests of stakeholders</b>	<ul style="list-style-type: none"> <li>Maximizing shareholder value</li> <li>Stable financial performance</li> <li>Internal and external business environment</li> <li>Transparent governance</li> <li>ESG management</li> </ul>	<ul style="list-style-type: none"> <li>Fair performance evaluation</li> <li>Safe working environment</li> <li>Welfare</li> <li>Grievance handling</li> <li>Strengthen employees' capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Safe food products</li> <li>Eco-friendly products</li> <li>ESG management</li> <li>Sustainable products</li> </ul>	<ul style="list-style-type: none"> <li>Communication with the community</li> <li>Social contribution activities</li> <li>Clean environment</li> </ul>	<ul style="list-style-type: none"> <li>Fulfillment of legal responsibilities</li> <li>Creating jobs</li> <li>Paying taxes</li> <li>Employee diversity</li> </ul>
<b>Communication channels</b>	<ul style="list-style-type: none"> <li>General Meeting of Shareholders</li> <li>Corporate briefing</li> <li>IR data</li> <li>Business report disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Labor council</li> <li>Lotte Chilsung Beverage's Communication Channel</li> <li>Mobile communication board</li> <li>Business platform</li> </ul>	<ul style="list-style-type: none"> <li>Press</li> <li>Product promotion council</li> <li>Consumers' board</li> <li>Consumer surveys</li> </ul>	<ul style="list-style-type: none"> <li>Municipality briefings</li> <li>Employee volunteering</li> <li>Environmental purification activities</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance Report</li> <li>Policy meetings and seminars</li> <li>Business report disclosure</li> </ul>

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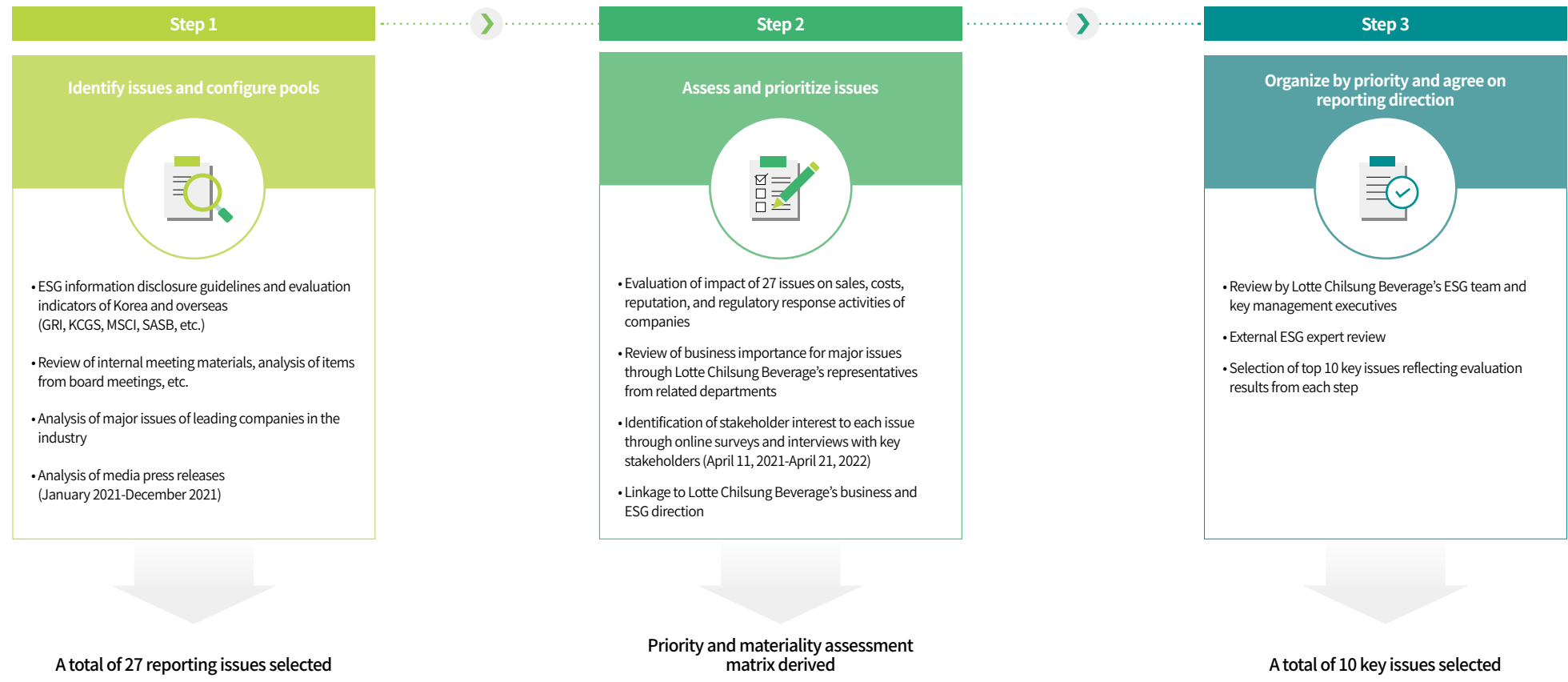
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# ★ Materiality Assessment

## Materiality Assessment Process

Lotte Chilsung Beverage has conducted a materiality assessment to identify ESG issues that can affect stakeholders and the company and to select key issues. In order to identify issues, we analyzed the evaluation criteria of major global ESG rating agencies, media reports from major domestic and overseas media companies, ESG trend analysis reports, and major issues and priorities of global sustainability management companies, and finally selected 27 issues to report that are relevant to Lotte Chilsung Beverage. Subsequently, we comprehensively analyzed the degree of impact on the performance of Lotte Chilsung Beverage business, major stakeholders' interest in each issue, and social and environmental impact, and assessed the materiality of "Lotte Chilsung Beverage's reporting issues". In particular, we conducted online surveys and interviews with major stakeholders to collect opinions and suggestions on issues, and conducted interviews with relevant departments to discuss the managing status and the direction to take moving forward. Top 10 issues derived from the assessment results were selected as "key issues" of Lotte Chilsung Beverage, which we are highlighting through this Report.



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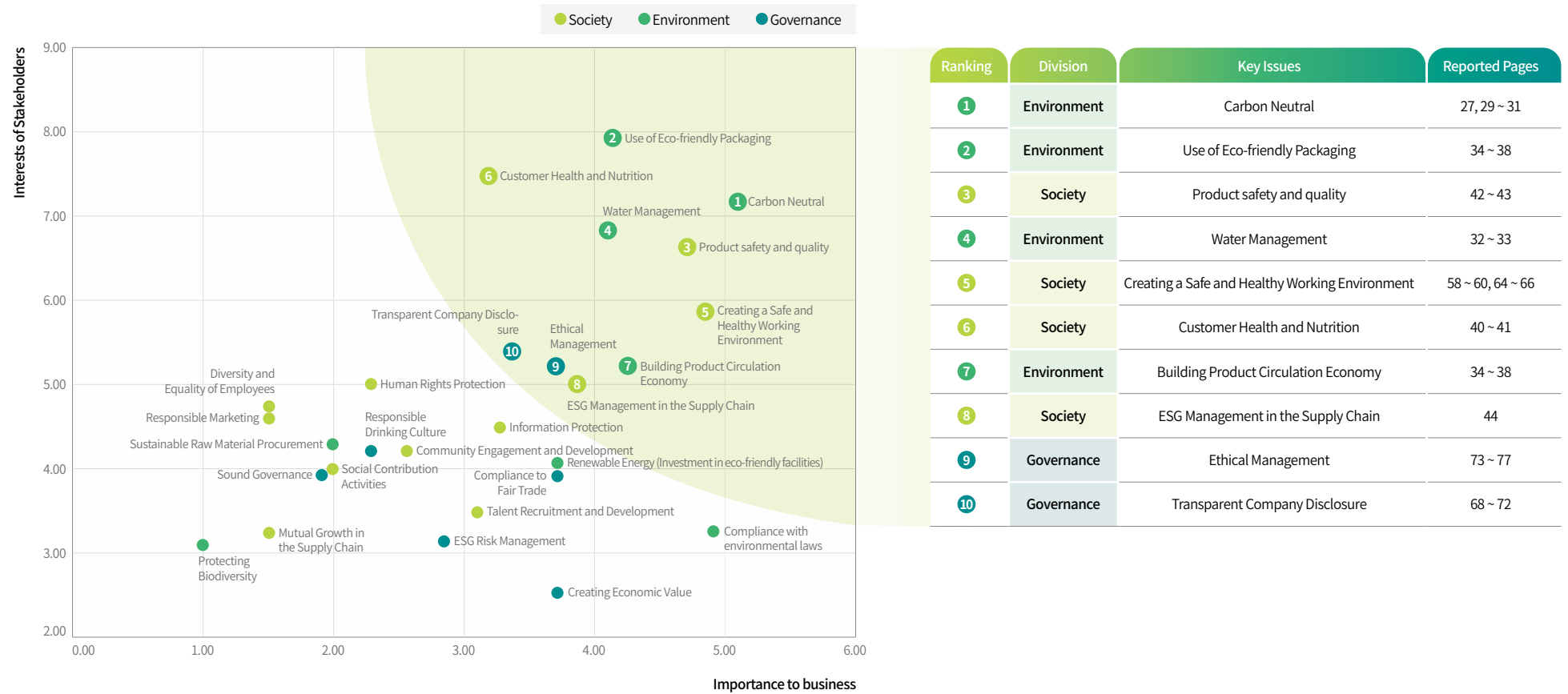
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## Results of the Materiality Assessment

As a result of the materiality assessment of 27 reporting issues, a total of 10 issues were selected as key issues : Carbon Neutral, Use of eco-friendly packaging, Product safety and quality, Water management, Creating a safe and healthy working environment, Customer health and nutrition, Building a product circular economy, ESG management in the supply chain, Ethical management, and Transparent company disclosure.

Materiality Assessment Matrix for Lotte Chilsung Beverage’s Sustainability Management





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## ★ TCFD INDEX

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	b) Management's role in assessing and managing climate-related risks	21 ~ 22	C1.2, C1.2a
Strategy	a) Short, medium and long-term climate- related risks	26	2.1a, C2.3, C2.3a, C2.4, C2.4a
	b) Impact on business, strategy and planning	26	C2.3a, C2.4a, C3.1, C3.2b, C3.3, C3.4
	c) Resilience of strategy using 2-degree or lower scenarios	25 ~ 26	C3.2, C3.2b
Risk Management	a) Process to assess climate-related risks	27 ~ 28	C2.1, C2.2, C2.2a
	b) Process to manage climate-related risks	27 ~ 28	C2.1, C2.2
	c) Integration of risk process into overall risk management	27 ~ 28	C2.1, C2.2
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	26 ~ 31, 82	C4.2, C4.2a
	b) Disclose Scope 1 (direct emissions), Scope 2 (indirect emissions), and, if appropriate, Scope 3 (other indirect emissions), greenhouse gas (GHG) emissions, and the related risks.	31, 82	C6.1, C6.3, C6.5
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	26 ~ 31	C4.1, C4.1a, C4.2a

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Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	74 ~ 77		

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GRI Standards			Page	Remarks
<b>GRI 300 Environment</b>				
Materials	301-1	Materials used by weight or volume	36	
	301-2	Percentage of recycled input materials used	33, 36, 38	
	301-3	Percentage of reclaimed products and their packaging materials	36, 38	
Energy	302-1	Energy consumption within the organization	82	
	302-4	Reduction of energy consumption	30, 32, 33, 82	
Water and Effluents	303-1	Interactions with water as a shared resource	32, 33	
	303-3	Water withdrawal	33	
	303-4	Water discharge	33	
	303-5	Water consumption	33	
	305-1	Direct (Scope 1) GHG emissions	30, 82	
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	29, 82	
	305-3	Other indirect (Scope 3) GHG emissions	31	
	305-4	GHG emissions intensity	82	
	305-5	Reduction of GHG emissions	27, 30	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	82	
Waste	306-1	Water discharge by quality and destination	34, 35, 38	
	306-2	Waste by type and disposal method	35 ~ 37	
	306-3	Significant spills and their type	38	
	306-4	Transport of hazardous waste	38	
<b>GRI 400 Social</b>				
Employment	401-1	New employee hires and employee turnover	83	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	59, 84	
Occupational Health and Safety	403-1	Occupational health and safety management system	64 ~ 65	
	403-2	Hazard identification, risk assessment, and incident investigation	66	
	403-3	Occupational health services	65	
	403-4	Worker participation, consultation, and communication on occupational health and safety	65	
	403-5	Worker training on occupational health and safety	65, 66, 83	
	403-6	Promotion of worker health	59, 65	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	64 ~ 66	
	403-8	Workers covered by an occupational health and safety management system	65	
	403-9	Work-related injuries	65	
Training and Education	404-1	Average hours of training per year per employee	53, 83	
	404-2	Programs for upgrading employee skills and transition assistance programs	53 ~ 54, 83	
	404-3	Percentage of employees receiving regular performance and career development reviews	50, 53	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	83, 85	
Human Rights Management Assessment	412-2	Employee training on human rights policies and procedures	77, 83	
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	45, 63	
Marketing and Labeling	417-1	Requirements for product and service information and labeling, and percentage of significant product or service categories covered by and assessed for compliance	11 ~ 16, 62	

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### Industry - Non-Alcoholic Beverages

Non-Alcoholic Beverages	Code	Accounting Metric	Page	Remarks
Fleet Fuel Management	FB-NB-110a.1	Fleet fuel consumed, percentage renewable	82	
Energy Management	FB-NB-130a.1	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	82	
Water Management	FB-NB-140a.1	(1) Total water withdrawn, (2) total water consumed, (3) percentage of each in regions with High or Extremely High Baseline Water Stress	33, 82	
	FB-NB-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	32 ~ 33	
Health & Nutrition	FB-NB-260a.1	Revenue from (1) zero- and low-calorie, (2) no added-sugar, and (3) artificially sweetened beverages	40 ~ 41	
	FB-NB-260a.2	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	42 ~ 43	
Product Labeling & Marketing	FB-NB-270a.1	Percentage of advertising impressions made on children (under the age of 12) promoting products that meet dietary guidelines	41	
Packaging Lifecycle Management	FB-NB-410a.1	Total weight of packaging / percentage made from recycled and/or renewable materials	36, 82	
	FB-NB-410a.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	34 ~ 38	

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We were engaged by Lotte Chilsung Beverage to provide limited assurance on the 'Lotte Chilsung Beverage Sustainability Report 2021' for the fiscal year of 2021, which was completed on July 2022 (further 'the Report').

### Context and Scope

Our engagement was designed to provide limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). We do not provide any assurance on the achievability of the objectives, targets, and expectations of Lotte Chilsung Beverage.

The scope of our engagement conforms to the KPMG Sustainability Assurance Manual™ (KSAM™), including the aspect of "materiality". With regards to financial data, our procedures were limited to verifying that they were correctly derived from audited financial statements. To obtain a thorough understanding of Lotte Chilsung Beverage's financial results and position, the audited financial statements produced on March 15, 2021 should be referred to.

### Responsibilities

As stated in the 'Reporting Principles and Standard,' Lotte Chilsung Beverage is responsible for all content within the Report in respect of the GRI Sustainability Reporting Standards. It is the responsibility of Lotte Chilsung Beverage's management to establish and maintain appropriate performance management and internal control systems from which the reported sustainability information is derived.

Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed.

### Independence

In conducting our engagement, we have complied with the requirements of the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants. We do not engage in any and all activities that may influence our independence from Lotte Chilsung Beverage. KPMG Samjong Accounting Corp. has systems and processes in place to monitor compliance with the Code, and to prevent conflicts regarding independence.

### Assurance Standards

We conducted our engagement based on the International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. The standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

### Limitations

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement, and consequently does not enable us to obtain assurance on all significant matters that we may become aware of in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

This report has been prepared solely for Lotte Chilsung Beverage in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Lotte Chilsung Beverage for our work, or for the conclusions we have reached in the assurance report.

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**Main Assurance Procedures**

Our engagement was designed to provide limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the reporting criteria. Procedures performed to obtain a limited level of assurance on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included the following :

- Confirmation on whether the financial information presented in the Report was correctly derived from Lotte Chilsung Beverage's audited financial statements
- Inquiries to gain an understanding of Lotte Chilsung Beverage's processes for determining the material issues for key stakeholder groups
- Interviews with corporate's or each group company's working-level staff responsible for providing the information in the Report
- Visits to the company's headquarter office to understand the systems and processes in place for managing and reporting the sustainability data
- Comparing the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, Lotte Chilsung Beverage's performance on non-financial value creation

**Opinion**

• **Stakeholder Inclusiveness**

- Lotte Chilsung Beverage focuses on interests of key stakeholders, such as shareholders & investors, employees, customers, partners, government, local communities, and operates proper online/off-line communication channels
- We are not aware of any key stakeholder group that has been excluded from dialogue in the Report.

• **Sustainability Context**

- Lotte Chilsung Beverage has established a process to incorporate ESG in management's decision-making and the business management plans of relevant teams, thereby securing continuity.
- We confirmed that Lotte Chilsung Beverage recognizes general business management and social responsibility management comprehensively and applies such understanding within the Report.

• **Materiality**

- Lotte Chilsung Beverage conducts a materiality test in determining key reporting issues.
- We are not aware of any material aspects concerning its sustainability performance which have been excluded from the Report.

• **Completeness**

- Lotte Chilsung Beverage applies reporting scope, boundary, and temporal criteria.
- In terms of criteria mentioned above, we confirm that the Report is suitable for stakeholders to assess social responsibility performance.

Based on the procedures performed, as described above, nothing has come to our attention to indicate that the Report is not presented fairly, in all material respects, in accordance with the reporting criteria.



July 2022  
KPMG Samjong Accounting Corp.  
CEO **Kim, Kyo Tai**

*Kyo Tai Kim*

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## Verification Overview

Lotte chilsung beverage Co., Ltd. implements annual MRV based on international standards including ISO 14064 to respond to climate change risks. KMR confirms the verification results of 2021 as below.

## Verification Scope

**Organizational boundary** | The whole business under control of the organization

**Verification object workplaces** | 195 facilities of Lotte chilsung beverage Co., Ltd.

**Reporting Period** | Calendar year of 2021

**Reporting greenhouse gas** | CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>

**Type of emission** | Direct Emissions (Scope1), Indirect Emissions (Scope2)

**Level of assurance** | Reasonable assurance

## Verification Standards

- ISO 14064-1 (2006), ISO 14064-3 (2006), WRI/WBCSD GHG Protocol (2004)
- Verification guidelines for the operation of the GHG emission trading system (Notification No. 2021-112, MOE)
- KMR GHG & Energy verification manual and procedure,, IPCC Guidelines (2006)

## Verification Standards

GHGs Emission	Scope1	Scope2	Total (tCO <sub>2</sub> -eq)
2021	57,175.785	105,627.74	162,748

Energy Consumption	Total (TJ)
2021	3,131

## Verification Opinion

KMR confirms that the calculation of the Greenhouse gas emissions and energy consumption of the organization are proper.



June 13, 2022

Korea Management Registrar

CEO **Hwang Eun-Ju**



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Awards in 2021

	<p><b>Feb. 2021</b></p> <p>'Chilsung Cider' and 'Cantata Contrabass Cold Brew Black' won the 'International Superior Taste Award' at the 2021 ITI International Food and Beverage Fair</p>
	<p><b>Mar. 2021</b></p> <p>'Delmont Juice' Ranked No. 1 in the juice sector for 23 consecutive years at the 2021 Korea-Brand Power Index (K-BPI)</p>
	<p><b>Jul. 2021</b></p> <p>Won the 'Resource Circulation' category of the Korea Environment Award</p>
	<p><b>Oct. 2021</b></p> <p>Ranked as the No. 1 company in the beverage sector for 9 consecutive years in the 2021 NCSI (National Customer Satisfaction Index)</p>
	<p><b>Oct. 2021</b></p> <p>2021 Korea IR Grand Prize Awards Selected as an Excellent Company in Investor Relations (IR)</p>

「Lotte Chilsung Beverage's 2021 Sustainability Report」was completed with the collaboration of our employees and stakeholders. We appreciate your interest and cooperation in publication of the Report.

Department in charge of the publication of the Report

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