

# LOTTE CHILSUNG BEVERAGE 2022 SUSTAINABILITY REPORT



# About This Report



## To better the environment · to renew the society · and to strengthen the company

Lotte Chilsung Beverage enhances communication with stakeholders, including customers and investors, by disclosing the status of ESG management and future implementation strategies through sustainability reports for 2012, 2020, 2021, and 2022.

### Report Overview

As a sustainability report of Lotte Chilsung Beverage, the Report was published for the purpose of comprehensively informing the Company's annual financial and non-financial performance to investors and stakeholders.

### Reporting Period

The reporting period of the Report is from January 1 to December 31, 2022, while the performance in 2023 is included for information important to stakeholders. As for quantitative performance, the Company recorded data for the last three years to identify trends and separately indicated the information collection period for other important matters.

### Reporting Scope

This Report focuses on the non-financial performance of Lotte Chilsung Beverage and includes all domestic business sites operated by the Company. Part of the data provides for the performance of overseas entities, subsidiaries, and supply chains.

### Writing Standards

Financial information is based on the consolidated financial statements of the Korean International Financial Reporting Standards. Non-financial information (ESG) complies with the Global Reporting Initiative (GRI) Standards 2021. The Report also reflects the UN Global Compact (UNGC), the core subjects of ISO 26000, the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-Related Financial Disclosures (TCFD).

### Verification of the Report

The Report has been verified by the Korea Management Registrar, an independent external verification agency, to ensure the credibility of the content in accordance with AA1000AS (Type2, moderate), an international verification standard.

### Additional Information

Please contact us with any questions or comments on the Report.



### Cover Story

This expresses Lotte Chilsung Beverage, a beverage company for the people in everyday life, thinking about the environment and making efforts for natural circulation.

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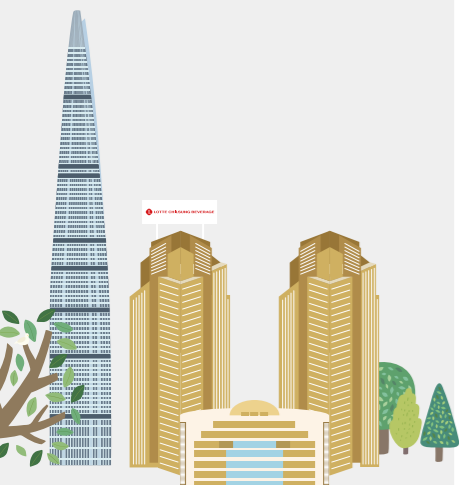
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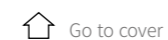
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Lotte Chilsung Beverage's Sustainability Report is designed as an interactive PDF report to enable navigating to relevant web pages to facilitate readers' comprehension. By clicking the 'Home,' 'Contents,' or 'Return to the previous page' buttons,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



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# CEO Message



“  
*We will create socially respected values by achieving sustainable financial performance through constant communication and efforts.*  
”

CEO of Lotte Chilsung Beverage Co., Ltd.  
**Park Yun-gie**

Dear Respected Stakeholders,  
Welcome to the fourth publication of Lotte Chilsung Beverage’s Sustainability Report.

Last year, the global supply chain collapsed due to the war between Russia and Ukraine and the re-proliferation of the COVID-19 mutation, resulting in rising raw material prices and economic recession. As a consumer product company, we faced more difficulties than ever before. However, despite this business environment, Lotte Chilsung Beverage has achieved better performance than the market growth rate. In response to the healthy pleasure market trend in the beverage sector, sales and profitability surged by reinforcing product lines that pursue health, such as zero-carbonated drinks and products with functional labels. ‘Chilsung Cider Zero’ and ‘Pepsi Zero Sugar’ continued to expand, and three types of ‘Tams Zero,’ a fruit-flavored carbonated drink launched in April 2022, also exhibited satisfactory results, maintaining the No. 1 market share in the zero-calorie beverage market. In the alcoholic beverage segment, after turning profitable in 2021, we continued with a business turnaround through management improvement activities by significantly increasing sales and operating profit in 2022. In addition to strengthening the brand power of the existing operations, we launched trendy new products for the value consumption of Millennials and Gen Z, such as Zero sugar soju ‘Chum-Churum SAERO’ and ‘Starry Chung Ha’ and settled them well in the market. We anticipate a greater performance in 2023.

Lotte Chilsung Beverage has vigorously facilitated ESG management based on these business performances.

In the environmental criteria, we joined the Carbon Disclosure Project (CDP) last July. Also, since declaring 2040 carbon neutral by calculating and verifying Scope 3 emissions, we have continuously strengthened carbon emission management and reduced carbon emissions with a net zero plan for carbon neutrality by converting

to independent solar power and expanding the operation of electric cargo vehicles to fulfill RE100. In addition, we implement eco-friendly packaging by expanding the application portfolio of label-free, eco-tab, transparent PET, and rPET in our products to establish a plastic circulation economy.

In the social criteria, in September 2022, we signed an ESG win-win agreement with 17 major partners for sustainable mutual growth, established a code of conduct for partners, and built a supply chain ESG management system. In addition, we strive to create social values by enacting the Human Rights Management Charter and winning the ‘Commendation from the Minister of Health and Welfare’ for the ‘Green Ribbon Campaign’ to find missing children. Moreover, we plan to expand our sustainable product portfolio, including low-sugar, low-calorie, low-alcohol, and health functional food, to manage products offering fitness and nutrition to our customers.

From the governance perspective, we have raised the level of the information protection management system by acquiring ISMS-P certification for the first time in the alcoholic and non-alcoholic beverages industries in August. Also, thanks to our efforts to actively communicate with stakeholders, we were selected as an ‘excellent corporation in public disclosure in the stock market’ by the Korea Exchange and received the ‘IR Excellence Award’ for two consecutive years.

As such, Lotte Chilsung Beverage aims to create sustainable achievement in addition to financial performance in 2023. With our management policy of “realizing healthy and respectable corporate values,” we will make relentless efforts to receive social support and enhance shareholder value. We promise to contribute to the affluent life of our customers and become a socially trusted company that supplies the best products at all times.

Thank you.

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# Our Company

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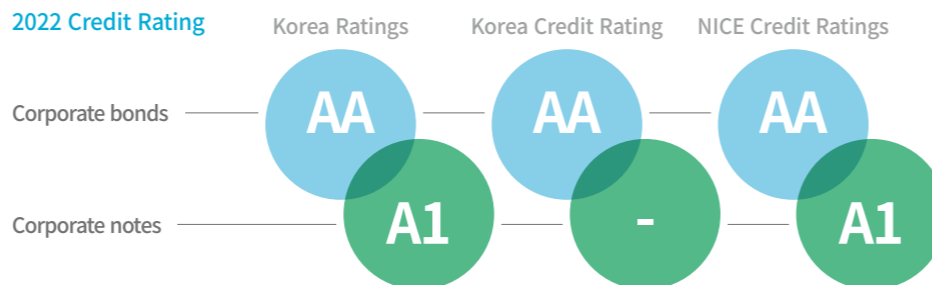
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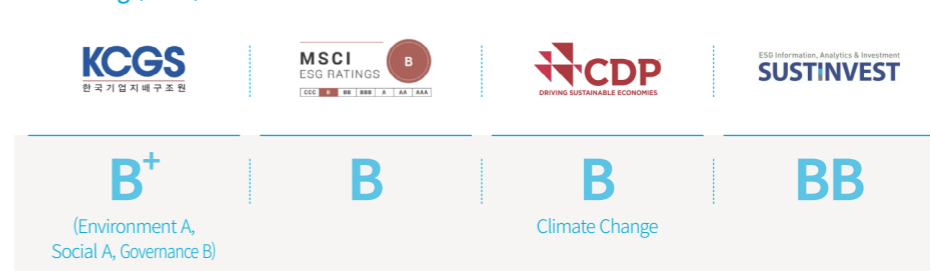
With Chilsung Cider in 1950, when Korea's soft drink industry took its first steps, Lotte Chilsung Beverage has grown into Korea's truly representative beverage and liquor company by steadily developing and supplying the best quality products. In a business environment with increasing uncertainty, the Company will continue striving to become a world-class enterprise with constant innovation and the fulfillment of social responsibilities.

<b>Company Name</b>  Lotte Chilsung Beverage Co., Ltd.	<b>Date of Establishment</b> May 9, 1950	<b>CEO</b> Shin Dong-bin, Park Yun-gje	<b>Head Office</b> 15, Seocho-daero 70-gil, Seocho-gu, Seoul	<b>No. of Employees</b> 5,844
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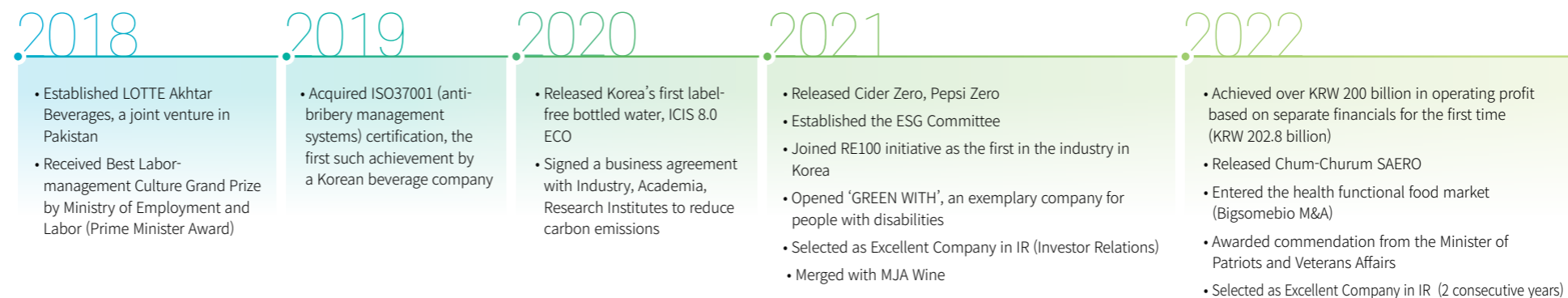
### 2022 Credit Rating



### ESG Rating (2022)



## Major Milestones (2018-2022)



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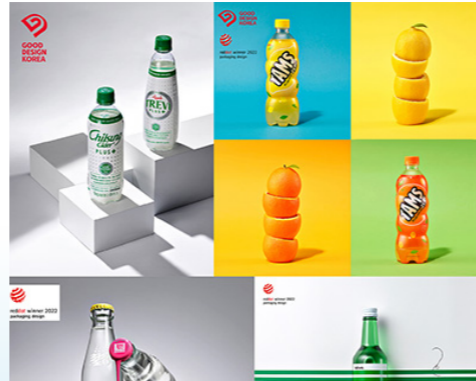
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## Awards



Juice category of  
'Korea Brand Power Index (K-BPI)'

March 2022  
KMAC (Korea Management Association Consulting)



Pentawards Design Award

August 2022  
Pentawards Awards



TAMS ZERO won  
the 'Red Dot Design Award' in Germany

August 2022  
Red Dot Award



Package design category of  
'Excellent Design Award'

September 2022  
Excellent Design Award



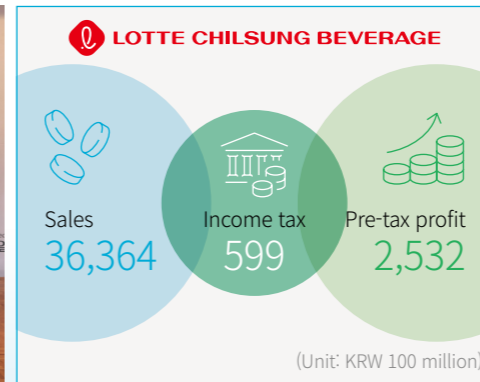
2022 Korea IR Grand Prize

September 2022  
Korea Investor Relations Service



Ranked 1st in National Customer  
Satisfaction Index (NCSI) (Beverages)

September 2022  
NCSI (National Customer Satisfaction Index)



2022 Tax Award (F&B Category)

December 2022  
Tax Daily (sponsored by the National Tax Service)



Selected as an excellent public disclosure  
corporation in the stock market in 2022

March 2023  
KRX (Korea Exchange)

# Our Business

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## Beverage Business Strategy in 2023

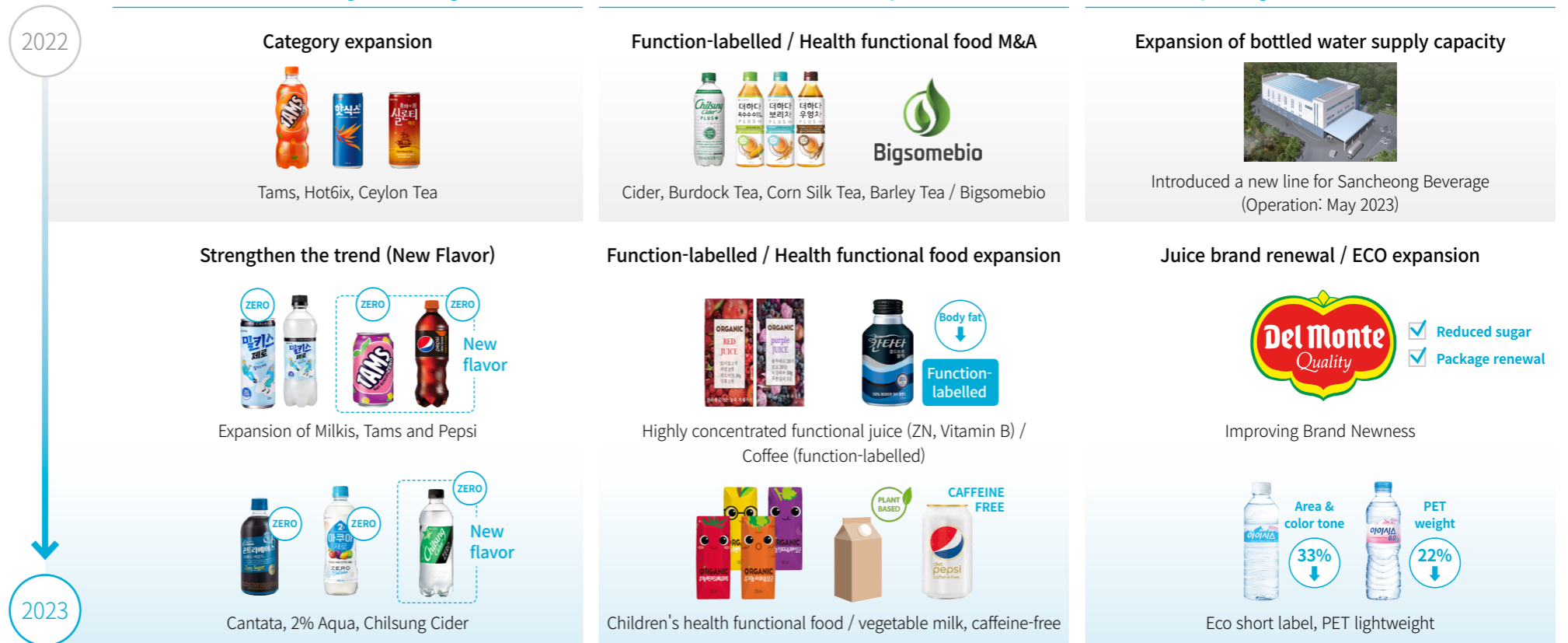
### Building a Health/Healthcare Portfolio

Lotte Chilsung Beverage continues to maintain its No. 1 position in the beverage market by strategically changing its business portfolio to respond to rapidly changing demands and environmental changes. Reflecting consumer needs for healthy beverages, the Company exercises strategies to lead the healthy pleasure market, such as securing an edge in the zero-carbonated beverage market by reducing sugars and strengthening products with function-labelled and health functional foods.

(Unit: KRW)

**194.9 billion**  (+11.6%)

(Based on separate financial statements)





# Our Business

(Unit: KRW)

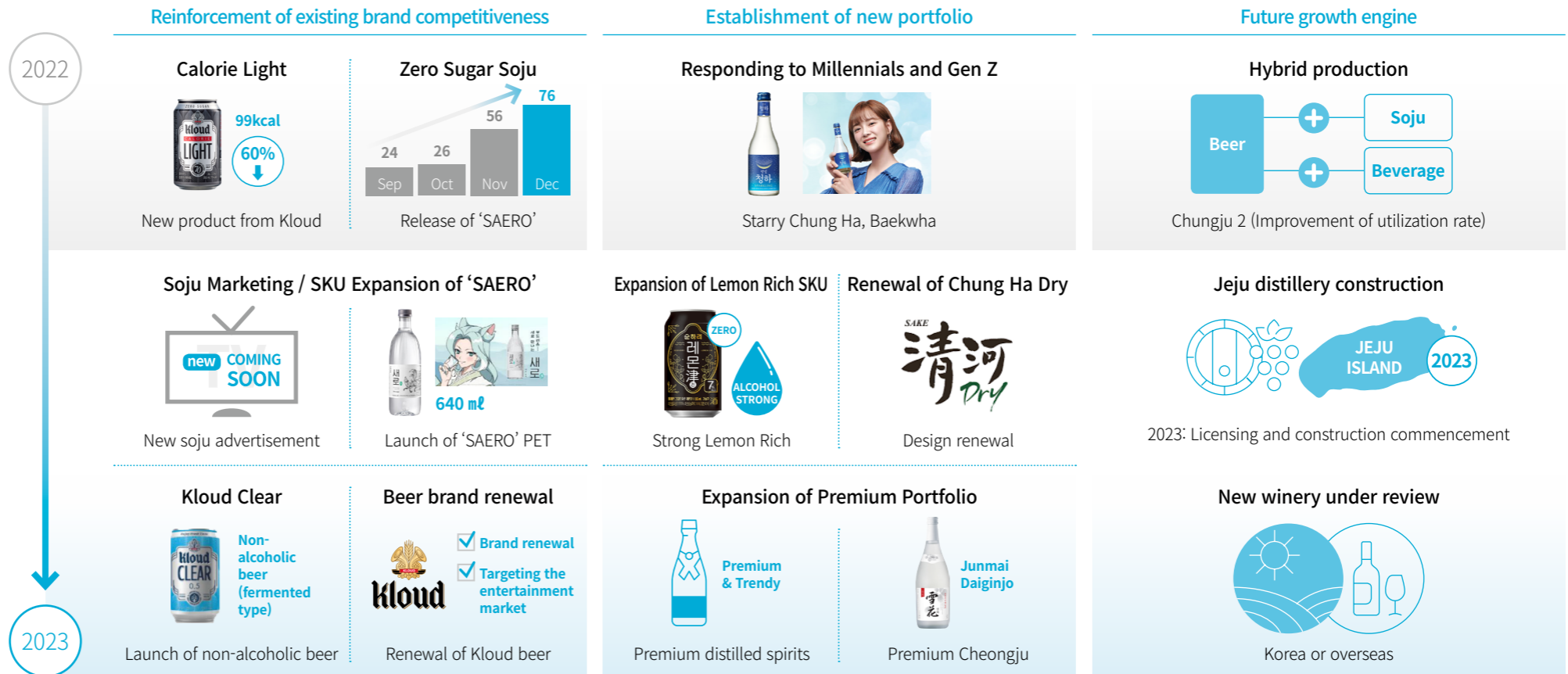
## 102.3 billion (+15.2%)

(Based on separate financial statements)

### 2023 Liquor Business Promotion Strategy

#### Building a Trend-Oriented Portfolio

Lotte Chilsung Beverage focuses on future innovation tasks to reflect the trends of Millennials and Gen Z and respond to lifestyle changes. Sales surged on the back of 'Chum-Churum SAERO' and 'Starry Chung Ha,' released in 2022. The Company is preparing new businesses to lead future innovation trends, such as launching premium spirits, building a whiskey distillery in Jeju, and developing new wineries, to continue this growth path.



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# Our Brand

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## Beverages

(Sales compared to 2021)

136.5 billion ↑

(Unit: KRW)

### Carbonated Drinks

Carbonated soft drinks refresh consumers in their daily lives. The Company manages long-lived brands of carbonated beverages such as Chilsung Cider, the nation's representative beverage, Milkis, which combines the softness of milk with carbonation, and the global brand Pepsi. In addition, Lotte Chilsung Beverage expands the range of choices for consumers by launching new products that captivate consumers' tastes, such as Chilsung Cider, Pepsi, and Tams Zero.



**Chilsung Cider**  
(Chilsung Cider, Chilsung Cider Zero, Chilsung Cider Plus)



**Pepsi Cola**  
(Pepsi Cola, Pepsi Zero)



**Milkis**  
(Milkis, Milkis Zero)



**Trevi**  
(Plain, Lime Trevi Plus)



**Tams Zero**  
(Orange, Apple, Lemon)



**Orangina & Mountain Dew**



**Cantata**  
(Sweet Black, Premium Latte, Caramel Macchiato, Cold Brew Black, Black Sesame Latte)



**Cantata Latteholic**



**Let's Be Grande**  
(Latte, Vanilla Black, Hazelnut)



**Cantata Contrabass**  
(Black, Latte, Sweet Black, Decaffeinated Black)



**Let's Be**  
(Let's Be Mild, Mocha Latte)



**Cantata Pouch**

(Sales compared to 2021)

22.3 billion ↑

(Unit: KRW)

### Coffee

Adding vitality to everyday life, coffee products from Lotte Chilsung Beverage include Let's Be, a coffee product that balances mild taste and aroma, and Cantata, which balances the original taste of ground coffee with Lotte Chilsung Beverage's unique know-how and high-quality Arabica beans. The Company offers the best coffee that meets the needs of consumers by launching coffee with various flavors and large-sized Contrabass products.

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## Beverages

(Sales compared to 2021)

8.3 billion ↑

(Unit: KRW)

### Mineral water

Having passed strict water quality management standards, the mineral water products of Lotte Chilsung Beverage are enjoyable with confidence and consist of brands such as ICIS 8.0, ICIS, and imported bottled water, including Evian and Volvic. In particular, in January 2020, the Company released the first label-free bottled water in Korea, led the eco-friendly trend, and launched products using recycled plastic, making efforts to minimize the impact on nature and consumer inconvenience.



ICIS 8.0  
(Spring Shine)



ICIS 8.0 ECO



ICIS ECO



ICIS



Evian



Volvic

### Tea

Lotte Chilsung Beverage breathed new life into the tea market by introducing tea produced by an aseptic production system for the first time in Korea. The Company develops trend-setting teas for modern people's healthy, happy lives and strives to make more people enjoy tea daily. Also, it continues researching excellent taste and quality through a clean and safe production process with selected right ingredients.

(Sales compared to 2021)

6.1 billion ↑

(Unit: KRW)



Burdock Tea



Golden Barley Tea



Corn Silk Tea



Korean Raisin Tea



Plus  
(Burdock Tea, Corn Silk Tea, Barley Tea)



Lipton  
(Peach, Milk Tea)



Ceylon Tea

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## Beverages

(Sales compared to 2021)

8.1 billion ↓

### Juices

Lotte Chilsung Beverage has a wide range of product lineups, from 100% squeezed juice to children's organic products to meet the changing tastes of consumers. One of them is Del Monte, a high-quality juice that has been ranked No.1 in the Korea Brand Power Index (K-BPI) for 24 consecutive years. The Company offers a variety of flavors, such as orange, grape, mango, aloe, tomato, and plum, and seeks to improve products for consumer health.



Del Monte Juice 100 (PET)



Jeju Mandarin Orange



Del Monte Cold



Del Monte Premium



Del Monte Drink



Bread Barbershop



Del Monte Squeeze Ade



Organic Juice



Pine Bud Drink



Vita Power



Kkaesukkang

(Unit: KRW)

(Unit: KRW)

(Sales compared to 2021)

29.8 billion ↑

### Others (Energy/Functional)

Lotte Chilsung Beverage introduces functional drinks tailored to the diverse needs of modern people conscious of their health. The Company has product lines such as vitamin, energy, red ginseng, and ion drinks for consumers' health and preferences, leading the future beverage industry by introducing various products to preserve their health with great taste and convenience.



HOT6ix



HOT6ix THE KING  
(Power, Zero, Force, Rush)



Gatorade  
(Lemon, Blue)



2%  
(Peach, Aqua)



DAILY-C Lemon Water

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Liquor

(Unit: KRW)

(Sales compared to 2021) **57.0 billion** ↑

Soju

‘Chum-Churum’ brought a new sensation to the soju market in Korea. Lotte Chilsung Beverage has presented a new paradigm in the liquor market with ‘Chum-Churum,’ which is made of bedrock water from the foot of Daegwallyeong, with a soft and easy-to-drink taste, and ‘Chum-Churum Flavored,’ which led the trend of fruit-flavored soju. In particular, in September 2022, the Company launched ‘Chum-Churum SAERO,’ a zero-sugar soju, which is much loved by consumers (accumulated sales exceeded 100 million bottles as of the end of April 2023).



Chum-Churum 16.5%    Chum-Churum Mild 16.0%    Chum-Churum Rich 20.0%    Chum-Churum Honey 15.0%



Chum-Churum (PET) 16.5%    Chum-Churum SAERO 16.0%    Chum-Churum Flavored (Peach, Citron, Apple) 12.0%

(Unit: KRW)

(Sales compared to 2021) **1.6 billion** ↓

Beer

Lotte Chilsung Beverage operates products that meet the tastes of consumers, such as Kloud, a 100% fermented undiluted liquid with the original gravity method, with a deep and rich flavor, and ‘Kloud Genuine Draft,’ a fresh and refreshing lager beer made with a non-heat treatment method. In addition, the Company produces various brands through the consignment production of craft beer.



Kloud 5.0%    Kloud Genuine Draft 4.5%



Kloud Calorie Light 3.0%    Craft Beer (Jeju Wheat Ale, Gompjo Wheat Beer, Mars-I-Lager)

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Liquor

(Unit: KRW)  
 (Sales compared to 2021) **19.2 billion** ↑

Cheongju

As for Cheongju, Lotte Chilsung Beverage focuses on 'Chung Ha,' which ranks No.1 in the Korean market. In April 2022, the Company launched Starry Chung Ha for a clean and refreshing flavor by adding white wine and soda to Chung Ha, largely loved by many consumers, including Millennials and Gen Z. In addition, the Company builds a solid lineup by managing premium rice wine 'Seolhwa' and authentic rice wine 'Baekwha Soobok.'



Chung Ha 13.0%    Starry Chung Ha 7.0%    Seol hwa 14.0%    Baekwha Soobok 14.0%

(Unit: KRW)

(Sales compared to 2021) **1.3 billion** ↑

Fruit Liquor

The Company serves fruit liquor brands offering freshness and variety to consumers, such as Lemon Rich, which contains whole lemons, and Seol Joong Mae, made of fresh ingredients..



Chum-Churum Lemon Rich 4.5%    Chum-Churum Lemon Rich Strong 7.0%



Seol Joong Mae 14.0%    Seol Joong Mae Gold 14.0%    Seol Joong Mae Sparkling 10.0%    Chum-Churum Flavored-Peach Soda 3.0%

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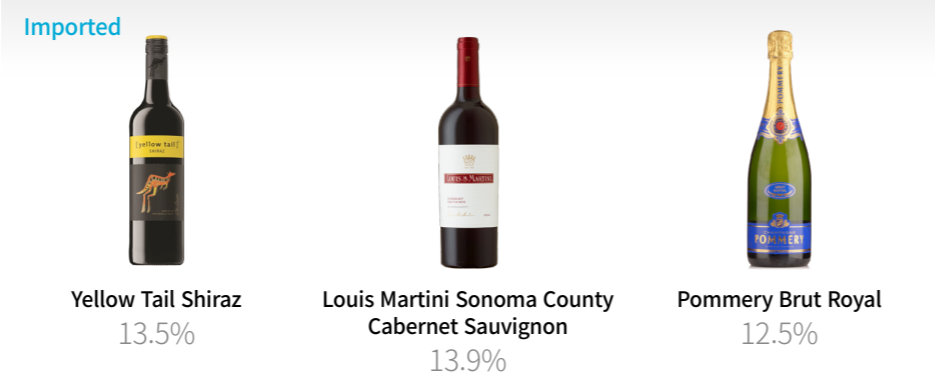
**Liquor**

(Unit: KRW)

(Sales compared to 2021) **16.5 billion** ↑

**Wine**

Majuang, a wine brand of Lotte Chilsung Beverage, is a pure Korean term meaning ‘to sit face to face and enjoy.’ Having led the popularization of wine in Korea for 45 years since its launch in 1977, Majuang recorded cumulative sales of 100 million bottles. It has been a brand loved for a long time by changing itself without compromising its essence and dignity. Also, the Company imports wines, providing an on-trend wine range.



(Unit: KRW)

(Sales compared to 2021) **10.0 billion** ↑

**Spirits**

Lotte Chilsung Beverage has a product line ranging from Scotch Blue, an authentic whiskey with a rich barley aroma and grain flavor, along with blending tailored to the taste of Koreans, as well as refreshingly smooth ‘vodka’ and ‘liqueur.’ Delicate in the beginning and soft in the end, these products are much loved by spirits lovers.



# ESG Highlights

‘Realizing healthy and respectable corporate values’

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# ESG Management System

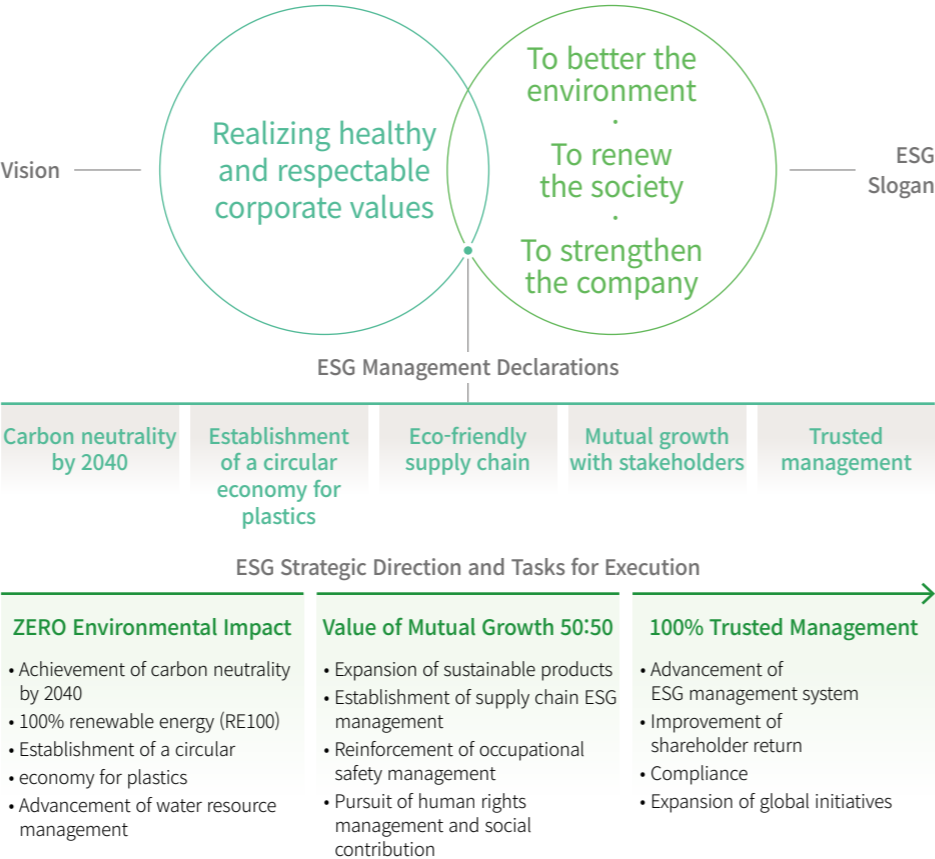
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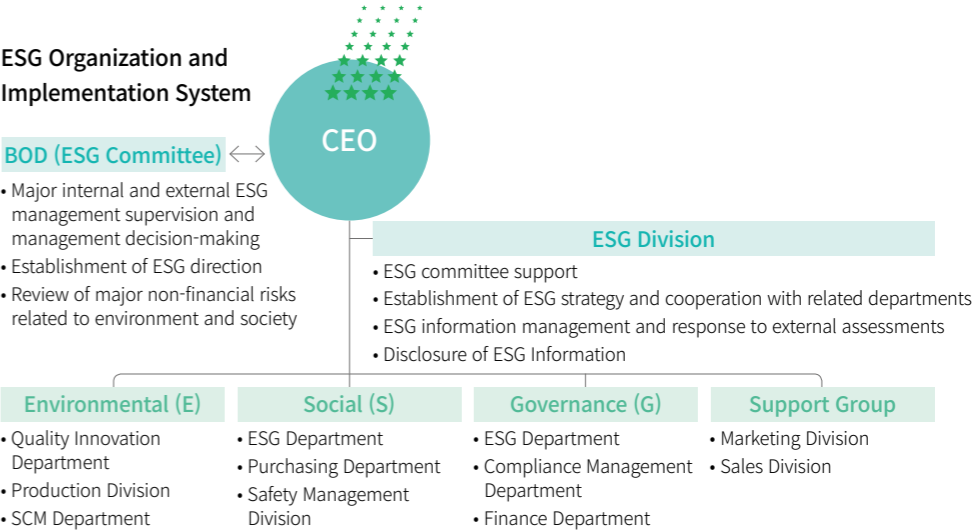
**ESG Road Map**

With the vision of ‘realizing healthy and respectable corporate values,’ Lotte Chilsung Beverage strives to create genuine ESG value through continuous innovation and efforts through the Five ESG Management Declarations of carbon neutrality, the establishment of a circular economy for plastics, the creation of an eco-friendly supply chain, mutual growth with stakeholders, and trusted management.



**ESG Management Implementation System**

Lotte Chilsung Beverage has established ESG divisions and dedicated organizations for ESG management and actively implements ESG management through the company-wide ESG Promotion Committees.



**ESG Committee Operation in 2022**

Date	Agenda	Approval	Director attendance rate
Apr 14, 2022	Establishment of ESG business promotion plan in 2022	Reported	80%
	Enactment of the Human Rights Management Charter	Approved	
	Establishment of Supplier's Codes of Conduct	Approved	
Jul 28, 2022	Report on ESG mid- to long-term roadmap establishment	Reported	60%
	Report on the publication of the 2021 Sustainability Report	Reported	
	Report on joining the Carbon Disclosure Project (CDP)	Reported	
Sep 19, 2022	CEO's establishment of mid- to long-term goals for ESG KPI	Approved	80%
	2022 CEO's report on ESG KPI performance	Reported	

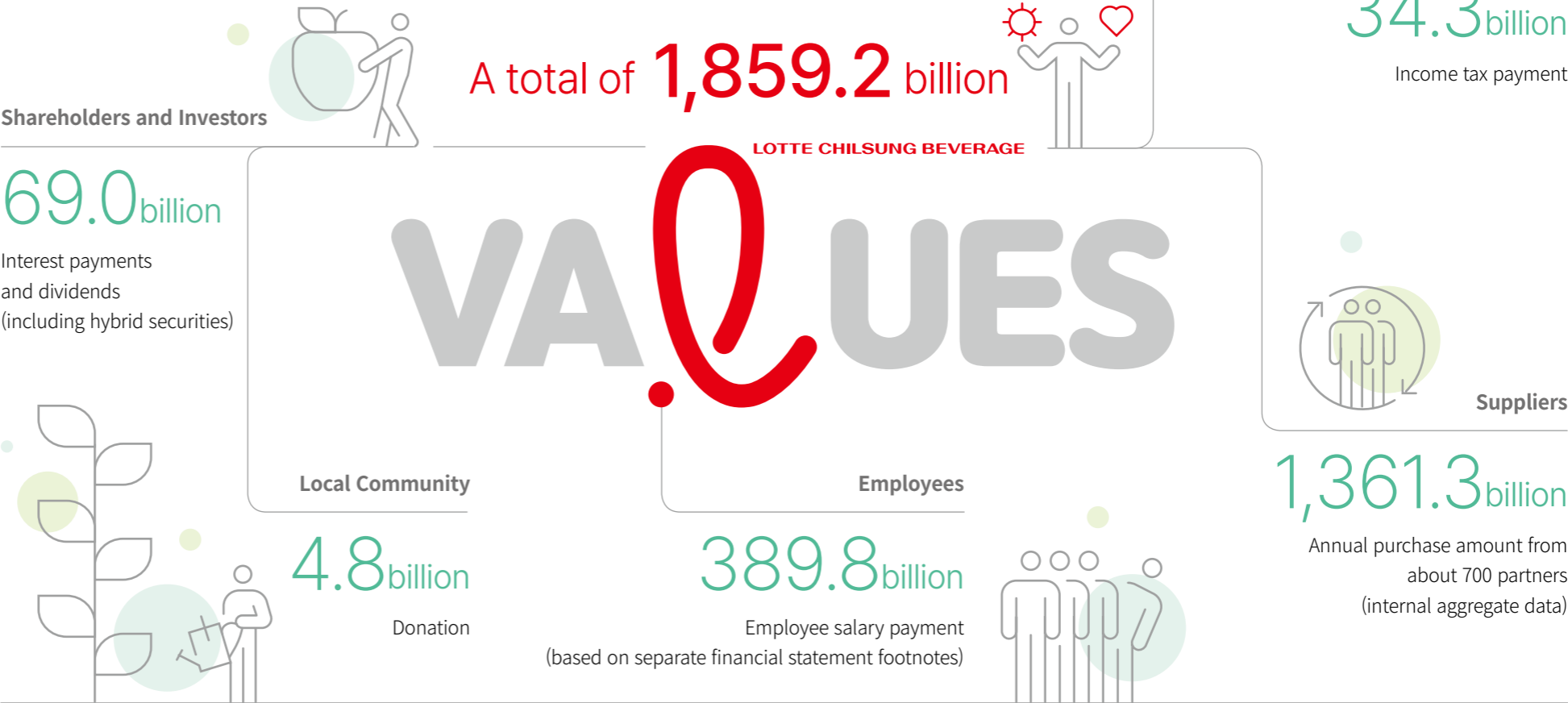
# ESG Performance

## Creation of Social Value

Lotte Chilsung Beverage strives to return the value of its business to society. Starting with ESG management, the Company seeks to create a structure for mutual growth by generating social value rather than simply returning economic profits.

(Unit: KRW)

(Based on separate financial statements)



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### Communication with ESG stakeholders

Lotte Chilsung Beverage has significant stakeholder groups directly or indirectly affecting and being affected by its business, including consumers, suppliers, government, local communities, shareholders and investors, and employees. Accordingly, Lotte Chilsung Beverage periodically communicates in various ways appropriate for the features of stakeholder groups and receives help in establishing a long-term direction for the business from their opinions and requests. The following interviews were transparently included in the Sustainability Report in a condensed format of communication with representatives of internal and external stakeholder groups.



ESG Expert

Professor **Jeong-in Kim**,  
Department of Economics,  
Chung-Ang University

#### From the environmental perspective, what are the ESG activities and direction should Lotte Chilsung Beverage pursue?

With 70 years of corporate history, Lotte Chilsung Beverage should seek the following three key directions in ESG. The first is a company that supplies safe and healthy drinks, the second is a company that exhibits mutual growth with all stakeholders, and the third is an innovative company that always pioneers the future.

#### Based on your expertise, what ESG value should Lotte Chilsung Beverage pursue?

The ultimate value that ESG follows is to create a sustainable company where humans, nature, and businesses respect and consider each other. I believe the ESG values that Lotte Chilsung Beverage should pursue are: in terms of environment (E), it should be an ecological company that prioritizes environmental values first; in terms of society (S), it should be fair and devoted to the nation and the world; and in terms of governance (G), it should become a transparent company that we can be proud of.

#### Any additional comment for Lotte Chilsung?

There is a saying, "If you want to go fast, go alone. If you want to go far, go together." I want Lotte Chilsung Beverage to become an enterprise that gives people and nature a drink of life. Just like the legendary advertisement 'When short of 2%', I hope the Company becomes a warm-hearted entity that quenches thirst and fills the heart of consumers.

# ESG Value System

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## Partner Company

**Jaewon Lee,**  
Deputy General Manager of  
Refreshing Container Team,  
Samyang Packaging



### What do you do with Lotte Chilsung Beverage?

As a leading eco-friendly packaging company, Lotte Chilsung Beverage cooperates with Samyang Packaging to continuously promote lightweight PET bottles and labels for eco-friendly packaging and is reducing the area of label adhesive application to improve resource circulation.

### Any suggestions for eco-friendly packaging with Lotte Chilsung Beverage?

We have expanded the plastic recycling business to execute an eco-friendly strategy by introducing a new 21,000-ton recycled PET chip production facility to the Shihwa Plant, which used to produce recycled PET flakes. Going forward, with our production facilities approved for use in food and beverage, we intend to work closely with Lotte Chilsung Beverage to practice ESG management together.

### Any additional comment for Lotte Chilsung?

As a leading beverage company, Lotte Chilsung Beverage demonstrates eco-friendly management with preemptive ESG management. We look forward to a glorious future for Lotte Chilsung Beverage, which will continue to lead Korea's beverage industry by establishing a model for mutual growth through close cooperation with suppliers.

## Local Community

**Chiman Na,**  
Director of the Seoul  
Regional Veterans Affairs Office



### What relationship do you have with Lotte Chilsung?

The Seoul Regional Veterans Affairs Office has promoted various projects together since signing a social contribution agreement with Lotte Chilsung Beverage in commemoration of the 70th anniversary of Chilsung Cider and the 70th anniversary of the Korean War in 2020. In particular, the bottled water delivery project for around 2,000 elderly and low-income families of veterans in the summer was a flagship project of both institutions and delighted many veterans' families. Also, to celebrate Patriots and Veterans Month, both entities carry out projects that attract the younger generation in new ways every year (online concerts, on-lympic sports, etc.) and are cooperating to realize social values of imbuing the sense of veterans in daily life.

### Any additional comment for Lotte Chilsung?

As this year marks the 70th anniversary of the Armistice, the Veterans Affairs Office is promoting many projects to commemorate, with 'AMAZING 70' as a catch prize to express pride in the 70-year history of the Republic of Korea, which has developed remarkably, and to thank the 22 participating nations for their dedication to the War. As Lotte Chilsung has also walked along with the history of Korea's development, we expect much cooperation in the veterans' cultural business.

## Lotte Chilsung Beverage

**Sohyeon Yang,**  
Leader of the IR Team



### What are the initiatives of Lotte Chilsung Beverage's IR team for sustainable management?

Lotte Chilsung Beverage launched a dedicated IR organization at the end of 2020 for transparent communication with stakeholders. We actively conduct IR activities, expand self-disclosure, and reflect feedback from stakeholders to the management. In recognition of our efforts, we were selected as an excellent Korean IR corporation in 2021 and 2022 and an excellent public disclosure corporation in 2023.

### What directions and tasks should Lotte Chilsung Beverage take to improve stakeholder satisfaction?

Lotte Chilsung Beverage also strives to strengthen communication with overseas stakeholders and enhance information fairness, such as the management's overseas NDRs and the introduction of English disclosure. In addition, the Company strives for stakeholder-friendly management by steadily increasing its dividend payout ratio with a mid to long-term target of 30%.

# Key ESG Issues

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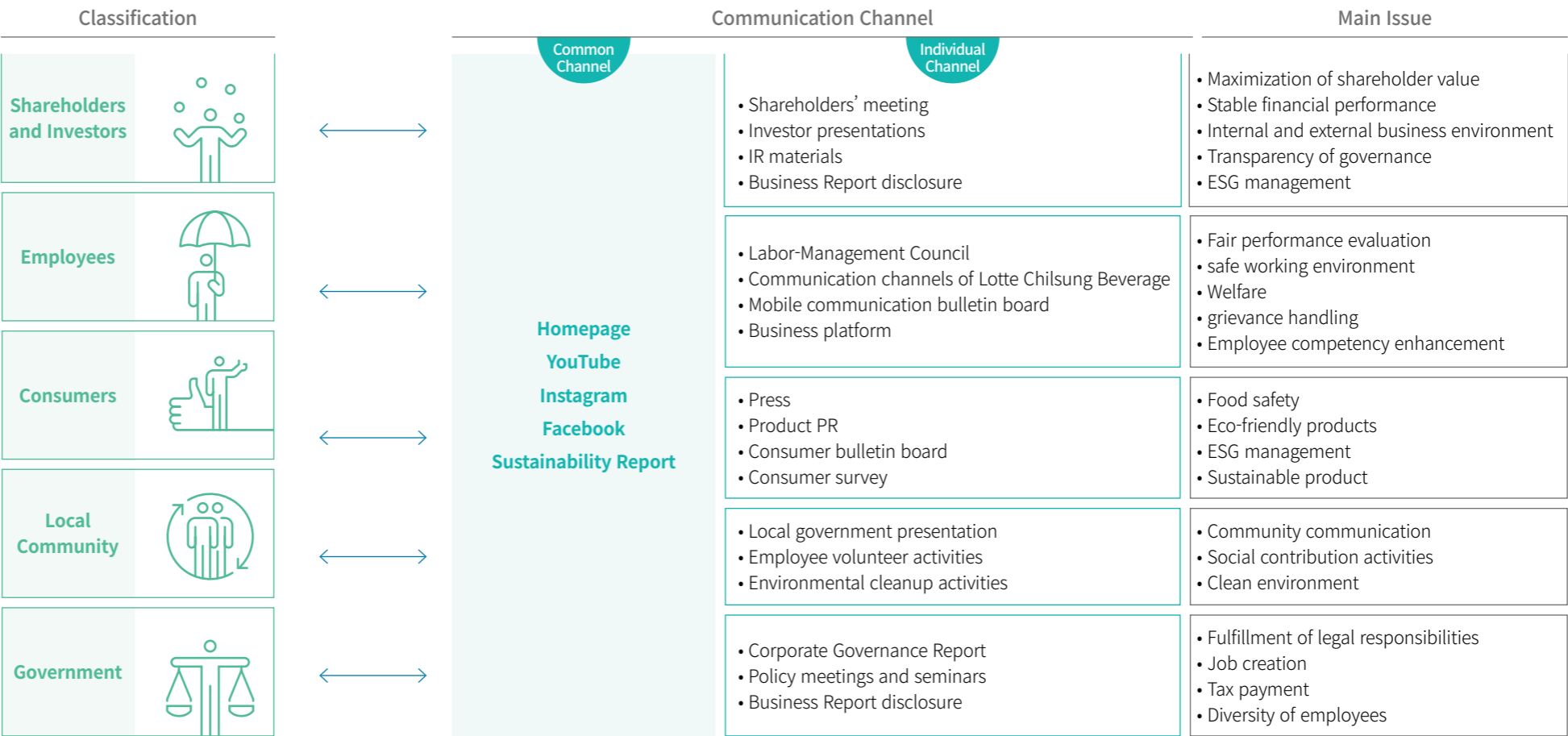
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**Stakeholder Communication**

Lotte Chilsung Beverage organizes and operates reasonable communication channels and programs that meet each stakeholder’s characteristics. The Company classifies stakeholders based on their level of understanding and cooperation to implement communication strategies based on the features and interests of stakeholders and manages communication channels and programs in consideration of the characteristics of stakeholders to improve consensus on the vision and strategy of internal and external stakeholders.



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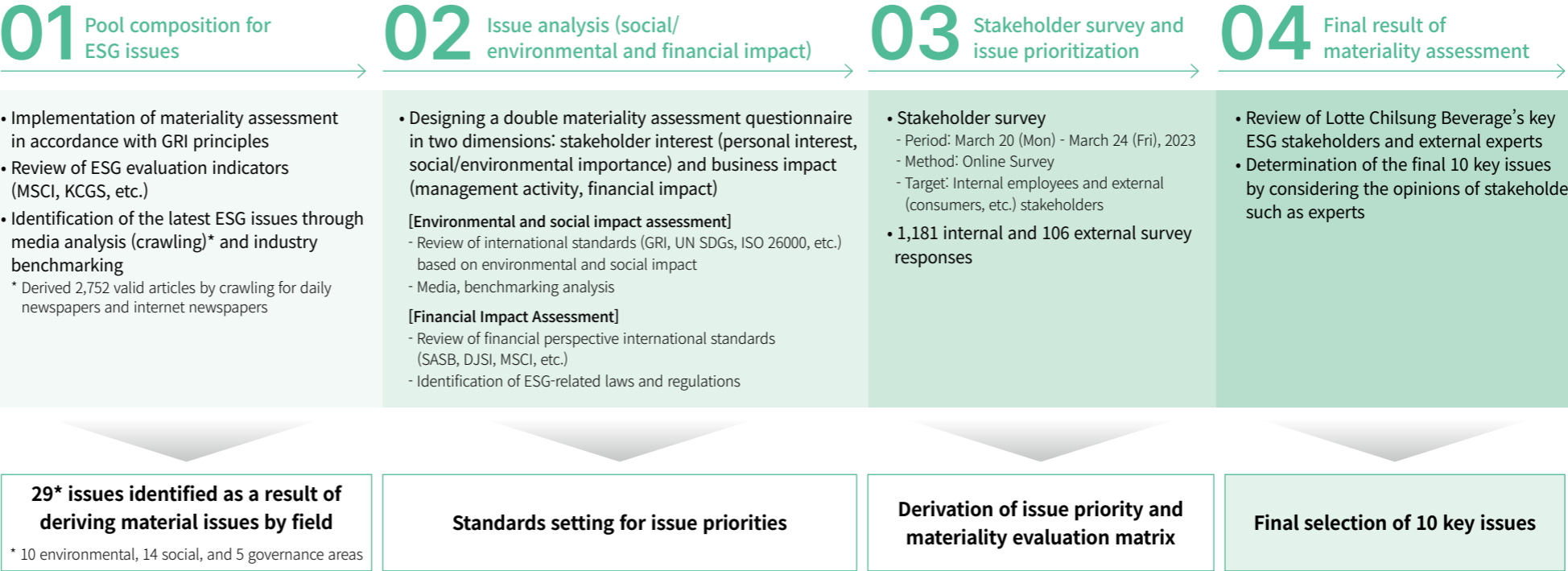
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**Materiality Assessment Process**

Lotte Chilsung Beverage conducts an annual materiality assessment to identify ESG issues that affect stakeholders and the Company and select key issues. Lotte Chilsung Beverage completed a ‘double materiality assessment’ that considers both the impact of business activities on the Company’s financial status as well as the external social and environmental impacts by preemptively applying the ‘GRI Standards 2021’, a global sustainability management reporting guideline. To identify issues, the Company analyzed evaluation criteria of major international ESG evaluation agencies, press releases from major domestic and foreign media, ESG

trend analysis reports, and material issues and rankings of leading global companies in sustainability management and finally selected 29 reported issues highly relevant to Lotte Chilsung Beverage. Afterward, the Company carried out online surveys and interviews with internal and external stakeholders to reflect opinions on major issues and discussed the management of the issues and directions through interviews with relevant departments. This Report derived the top 10 issues as the ‘core issues’ of Lotte Chilsung Beverage and reported intensively.



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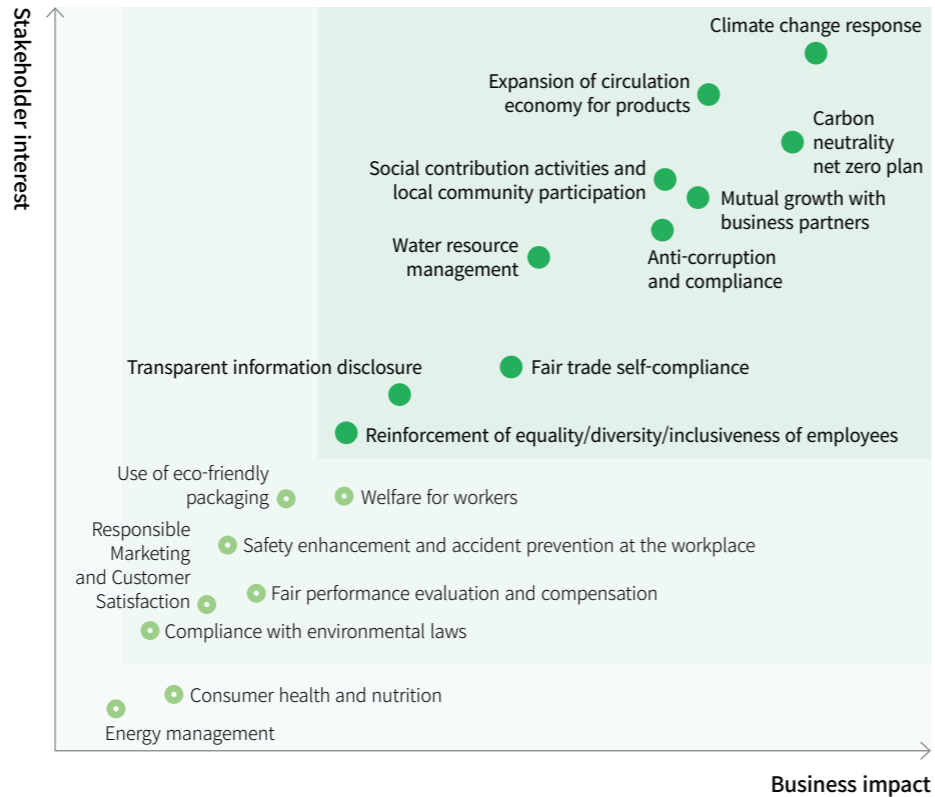
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## Results of Materiality Assessment

As a result of the materiality assessment on 29 reporting issues, a total of 10 issues were selected as core issues, including climate change response, expansion of circulation economy for products, carbon neutrality net zero plan, social contribution activities and local community participation, mutual growth with business partners, anti-corruption and compliance, water resource management, fair trade self-compliance, transparent information disclosure, and reinforcement of equality/diversity/inclusiveness of employees.



















Lotte Chilsung Beverage's Sustainability Management Materiality Assessment Matrix



No.	ESG issues	Classification	Report Page	Relevant GRI indicators
E-1	Climate change response	E	33~35, 95~96	GRI 305
E-2	Expansion of circulation economy for products	E	97	GRI 301
E-3	Carbon neutrality net zero plan	E	28~32, 95	GRI 305
S-1	Social contribution activities and local community participation	S	70~75	GRI 413
S-2	Mutual growth with business partners	S	44~45	GRI 414
G-1	Anti-corruption and compliance	G	86~87	GRI 205
E-4	Water resource management	E	36~37, 97	GRI 303
G-2	Fair trade self-compliance	G	86~87	GRI 205
G-3	Transparent information disclosure	G	81~84	GRI 201
S-3	Reinforcement of equality/diversity/inclusiveness of employees	S	56~57, 82	GRI 405

# Key ESG Issues

Lotte Chilsung Beverage identifies key issues related to ESG and systematically manages them for sustainable growth. Prior to publishing the Sustainability Report, the Company identified stakeholder interest and business impact through a materiality assessment and selected ten key issues. The process and results of the materiality assessment to determine key issues are disclosed on pages 22-23 of the Report. Lotte Chilsung Beverage's ten key ESG issues of this year will be systematically responded to based on the plan. Accordingly, the Company analyzed and disclosed major response activities, performance, and management plans and analyzed objectives that the Company could contribute to achieving the United Nations Sustainable Development Goals (UN SDGs).

Classification	Key Issue	Importance of Issue	Major Activity and Plan	UN SDGs
Environmental	Climate change response	Necessary to enhance the trust of customers and the market by reducing GHG emissions, given the increasing demand for practical responses to climate change	<ul style="list-style-type: none"> <li>• Advancement of eco-friendly company goals and strengthening of implementation system for full-scale ESG management</li> <li>• Joining TCFD and establishing a climate change and risk response system based on TCFD recommendations</li> <li>• Expansion of Environmental Product Declaration and Low Carbon Product Certification</li> <li>• Calculation and Verification of Scope 3 Emissions</li> <li>• Preparing for joining SBTi and establishing an implementation system</li> </ul>	
	Expansion of circulation economy for products	The increasing importance of managing environmental impacts caused by plastics due to the nature of the industry of using various plastics.	<ul style="list-style-type: none"> <li>• Reduction of PET weight and expansion of products using recycled raw materials</li> <li>• Establishment of a mid- to long-term roadmap and detailed action plans to expand circular economy products</li> <li>• Expansion of transparent PET products and label-free products</li> </ul>	 
	Carbon neutrality net zero plan	Promoting environmental impact reduction by the project by achieving actual GHG reduction through setting/disclosure of specific implementation plans for 2040 carbon neutrality	<ul style="list-style-type: none"> <li>• Pursuit of RE100 through self-powered solar power generation and green premium purchases</li> <li>• Improvement of energy efficiency by introducing high-efficiency facilities and improving operation methods in major factories</li> <li>• Establishment of carbon neutral roadmap and derivation of detailed implementation plan</li> <li>• Setting of GHG reduction targets and systematization of management at domestic and overseas business sites</li> </ul>	  
	Water resource management	Recognizing the importance of water resources, striving for efficient use, and fulfilling corporate responsibilities for common social resources, as a company engaged in water utilization for business.	<ul style="list-style-type: none"> <li>• Establishment of water management policy and system in connection with the characteristics of the business site</li> <li>• Securing capacity for CDP Water Security reporting and disclosure response</li> <li>• Expansion of water resource protection activities</li> </ul>	 
Social	Social contribution activities and local community participation	Recognizing sustainable business on mutual growth with members of society and participating in related activities	<ul style="list-style-type: none"> <li>• Implementation of shared growth activities with stakeholders</li> <li>• Community environment preservation activities</li> <li>• Spread of sharing culture</li> </ul>	  
	Mutual growth with business partners	Necessary to manage the sustainability of partner companies, given various relationships with numerous suppliers.	<ul style="list-style-type: none"> <li>• Establishment of ESG management system for partners</li> <li>• Expansion of ESG management by key partners</li> <li>• Training and financial support for partners</li> </ul>	 
	Reinforcement of equality/diversity/inclusiveness of employees	Managing a fair HR system, realizing it as an important factor in motivating employees.	<ul style="list-style-type: none"> <li>• Declaration and Practice of the Diversity Charter</li> <li>• Expansion policy of female employment</li> <li>• Compliance with mandatory employment of persons with disabilities</li> </ul>	 
Governance	Reinforcement of equality/diversity/inclusiveness of employees	Necessary for risk management through systematic compliance due to strengthened ESG-related laws.	<ul style="list-style-type: none"> <li>• Establishment of a compliance operating system such as a regular monitoring system</li> <li>• Operation of ISO 37001 (anti-corruption management system) and ISO 37301 (compliance management system)</li> <li>• Enhancement of employee awareness through periodic compliance management education</li> </ul>	
	Fair trade self-compliance	Minimizing risk through compliance with the Fair Trade Act and prevention	<ul style="list-style-type: none"> <li>• Operation of the Compliance Program (CP)</li> </ul>	
	Transparent information disclosure	Strengthening stakeholder trust, including investors, through transparent disclosure of management information	<ul style="list-style-type: none"> <li>• Enhancement of communication with stakeholders through IR</li> <li>• Shareholder-friendly policy operation</li> </ul>	

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# Environment

Lotte Chilsung Beverages strives to return the benefits to nature.

Lotte Chilsung Beverage strives to minimize its impact on the environment from production to sales and systematically manages its performance.

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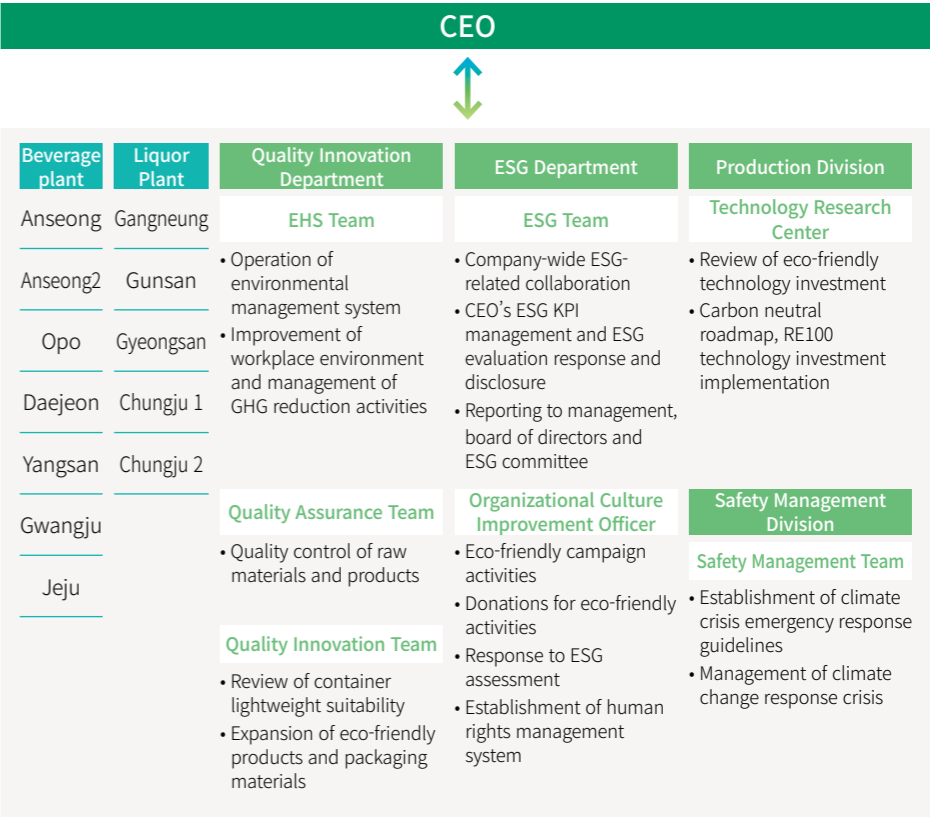
## Environmental Management & Management System

### Environmental Management System

Lotte Chilsung Beverage has an internal environmental management system to minimize negative environmental impacts from business activities. Directly under the CEO, the Quality Innovation Department manages and supervises overall environmental management and promptly reports to the CEO to solve the problem and launch a system to prevent recurrence in the event of a special environmental issue. The EHS Team has established a system to manage, monitor, identify, analyze, and prevent environmental risks in advance, for example, by monitoring environmental laws and violations of the laws and disseminating them to each business site through the internal system to supervise management and implementation. In addition, each business site makes a mandatory report to the EHS Team immediately in the event of an environment-related risk. The Team establishes and checks environmental management objectives for GHGs, energy, water resources, waste, and chemicals each year. Based on the Company's ESG management system, the ESG Team carries out tasks related to the overall ESG, such as CEO's ESG KPI management and ESG initiative participation, and collaborates with the EHS Team for Company-wide environmental management, such as climate crisis response, water resource management, and biodiversity activities. The Safety Management Division prepares internal guidelines for Company-wide response and manages response crises in collaboration with the EHS Team by identifying not only the impact on safety in the event of an emergency but also environmental risks that occur in connection with it.

### Environmental Management System

Lotte Chilsung Beverage has an environmental management system that complies with international standards by obtaining ISO14001 certification, an international standard environmental management system, for all business sites to establish and promote environmental objectives that reflect internal and external environmental issues and stakeholders' opinions annually. As the chief decision-maker of the environmental management system, the CEO has the responsibility and authority to establish and finalize the environmental management policy. The Company conducts internal and external assessments on a regular basis to evaluate and manage the environmental management system effectively and conducts follow-up management for nonconformities from the assessments to be corrected by establishing improvement plans in the relevant department.



ISO 14001 Certification

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### Performance Indicator Management

Lotte Chilsung Beverage sets two CEO ESG key performance indicators and environmental management indicators every year. As for the CEO ESG key performance indicators, all Lotte affiliates manage performances by setting tasks and objectives for the environmental, social, and governance issues every year. Regarding environmental management indicators, the Company reports monthly performance by setting indicators for 22 items in three aspects: operation management, performance management, and stakeholder response.

ESG Indicator (Environmental)	Environmental management indicator		
	Operation management	Performance management	Stakeholder response
<ul style="list-style-type: none"> <li>Carbon neutral roadmap implementation</li> <li>Water resource sensitivity management</li> <li>Reduction in packaging use</li> <li>Use of eco-friendly materials</li> </ul>	<ul style="list-style-type: none"> <li>Management of environmental organization</li> <li>Environmental management employee training</li> <li>Climate change risk management</li> <li>Internal environment assessment</li> </ul>	<ul style="list-style-type: none"> <li>Carbon intensity management</li> <li>Management of reduction performance against targets (GHG, energy, waste, water resources, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>External disclosure of environmental information</li> <li>Environmental preservation activities</li> <li>Environmental law violation management</li> </ul>

### Establishment of Environmental Management Indicators

Lotte Chilsung Beverage collects and reports on the performance of all business sites annually to set environmental targets by managing monthly environmental information from all business sites.

Classification	2022 Target	2021 Performance	2022 Achievement
GHG basic unit	0.104tCO <sub>2</sub> /kl	0.109tCO <sub>2</sub> /kl	0.101tCO <sub>2</sub> /kl
Energy basic unit	0.0020TJ/kl	0.0021TJ/kl	0.0019TJ/kl
Water intake basic unit	3.36ton/kl	3.46ton/kl	3.07ton/kl
Chemical consumption basic unit	0.0018ton/kl	0.0019ton/kl	0.0016ton/kl
Waste emission basic unit	0.0183ton/kl	0.0157ton/kl	0.0168ton/kl

Due to the temporary shutdown of the manufacturing facility in 2021, waste generation temporarily decreased. Accordingly, the Company set the 2022 waste emission basic unit target as 0.0183 ton/kl improvement compared to 2020 (waste emission basic unit 0.0189 ton/kl in 2020). Waste emission in 2022 increased compared to 2021 but was reduced by 0.0021 ton/kl compared to 2020.

### Operation of the ZBB Project

Lotte Chilsung Beverage runs the ZBB Project every year. ZBB (Zero-Based Budget) refers to setting the annual budget on a zero basis, identifying key costs of the organization, and allocating strategic priorities to execute necessary expenses and improve cost reduction effects. ZBB items are selected every year with employees participating in the Company-wide ZBB Project and business ideas. Regarding performance, executives from each division under the CEO manage the performance of ideas in their respective divisions as cost owners. ZBB ideas are not confined to areas such as finance, environment, business, and process improvement but can be expanded to anything. Among the ZBB items for 2022, items related to environmental improvement include the lightening of shrink film thickness and empty bottles, the improvement of aseptic CIP, and the operation of the Bupyeong Automation Center and have driven environmental effects such as reducing plastic emissions, decreasing the chemical consumption, and lowering GHG emissions. The Company selects ZBB ideas through document screening, discussion on effectiveness, and public voting by employees and awards prizes to excellent ideas. In addition, Lotte Chilsung Beverage provides equal incentives through profit share to all employees, including the CEO, by calculating and converting the ZBB Project savings performance at the end of each year into an amount. As of the end of November 2022, the Company paid ZBB Project incentives to 5,087 employees.

### Environmental Operation Management Regulations

Based on the Environmental Operation Management Regulations, Lotte Chilsung Beverage identifies environmental laws that affect the environmental aspects of its activities, products, and services and strives to operate its facilities properly and legally in compliance with the regulations. The EHS Team conducts regulatory monitoring on a daily basis for environmental categories, such as air quality, water quality, waste, GHG, hazardous chemicals, resource circulation, and environmental product labeling, and disseminates the contents to all business sites in case of amendments/revisions. In addition, the Team conducts annual internal inspections, checks actions taken per changes in laws and regulations, and takes measures in case of no improvement.

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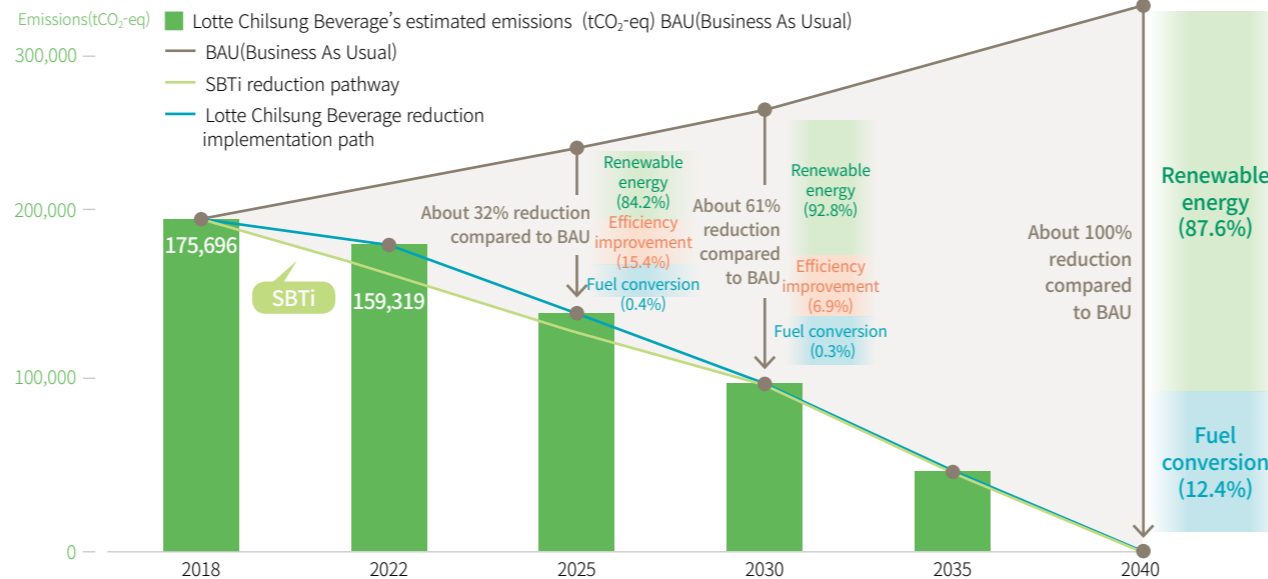
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## Carbon Neutrality Strategy

### Advancement of Roadmap to Achieve Carbon Neutrality by 2040

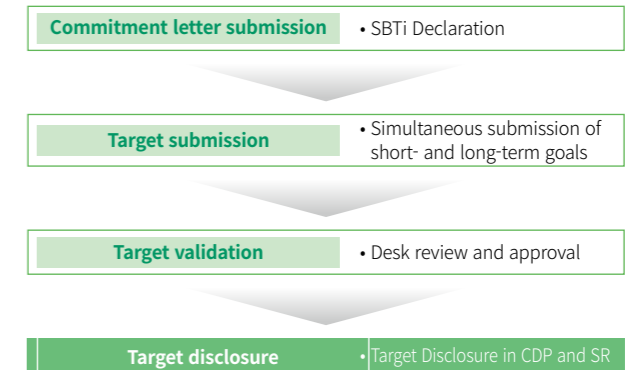
Recognizing the severity of the climate crisis, Lotte Chilsung Beverage declared 2040 carbon neutrality in 2021 and established a roadmap for setting a carbon neutrality path and reduction measures based on the SBTi 1.5°C scenario. The Company plans to reduce GHG emissions by approximately 61% compared to BAU by 2030 and achieve carbon neutrality by 2040. Lotte Chilsung Beverage carries out various GHG reduction activities, such as energy diagnosis and efficiency improvement projects, expansion of the introduction of electric vehicles, and conversion to new and renewable energy, to achieve the goal of carbon neutrality and actively promotes activities to reduce GHG emissions, such as expanding solar power installations at business sites and purchasing green premiums, in connection with achieving the RE100 goal. In addition, the Company plans to actively introduce carbon emission reduction technologies such as CCUS and hydrogen technology in the mid to long term.

#### Lotte Chilsung Beverage's 2040 Carbon Neutrality Roadmap



## Preparation for SBTi Declaration and Target Submission

Lotte Chilsung Beverage plans to join the SBTi in the second half of 2023 through the internationally recognized SBTi (Science Based Targets initiative) Commitment Letter by improving the carbon neutrality roadmap. SBTi is an initiative jointly launched and operated by four global non-profit organizations, such as World Wide Fund for Nature (WWF), Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), and World Resources Institute (WRI), to achieve the Paris Agreement objectives and support corporate climate actions. Lotte Chilsung Beverage established emission targets by applying the Absolute Contraction Approach (ACA) and has laid the groundwork to systematically calculate and manage not only emissions from domestic and overseas business sites (Scope 1 and 2) but also emissions throughout the value chain (Scope 3).



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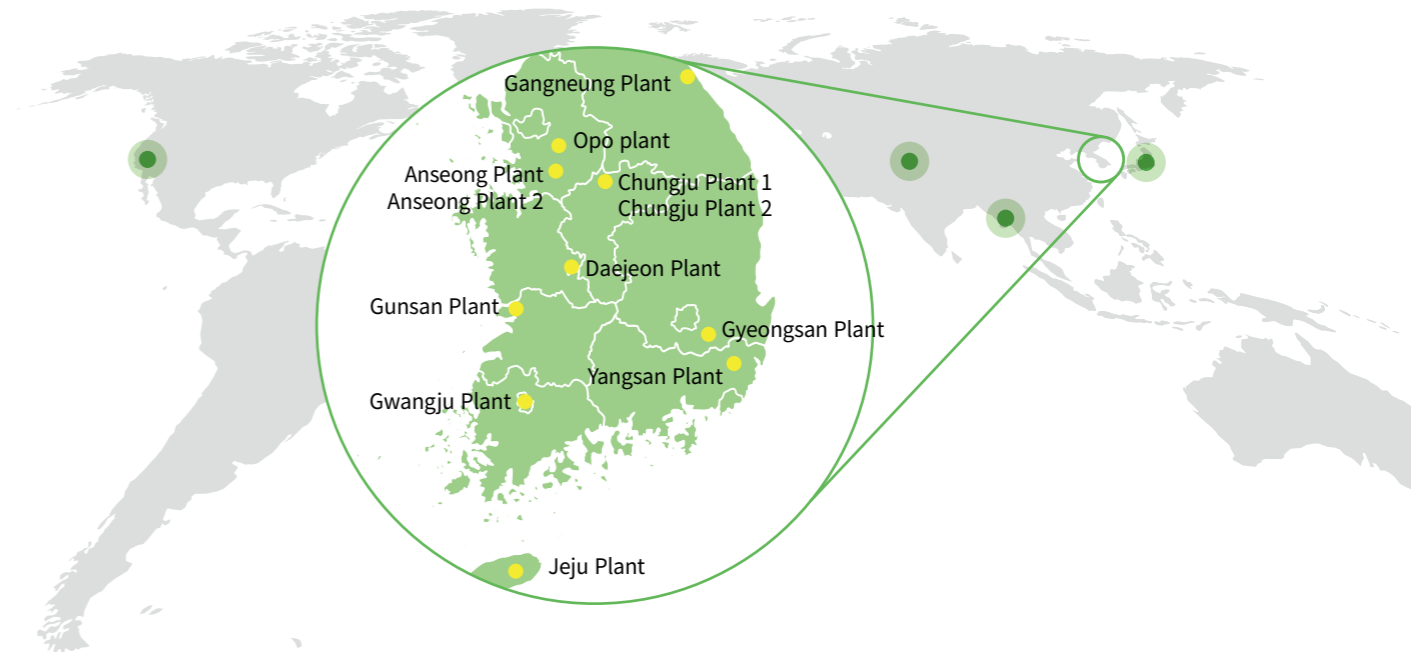
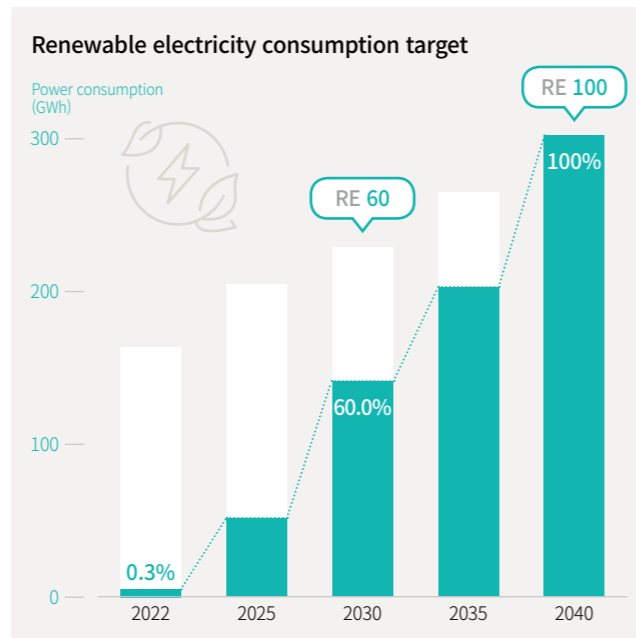
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### Establishment of Global RE100 Implementation Strategy

Lotte Chilsung Beverage declared global RE100 for the first time in the food industry to actively participate in climate change response with an implementation plan to achieve 100% conversion to renewable electricity by 2040. To implement RE100, Lotte Chilsung Beverage reviews renewable energy conversion for domestic electricity consumption. As such, the Company attempts to switch to self-generation by checking the suitability of introducing solar power facilities for workplaces and establishes a plan to achieve RE100 by actively utilizing RE100 implementation methods such as green premium, third-party PPA, and REC purchase. Lotte Chilsung Beverage is finding a way to convert to renewable energy and establishing a strategy by identifying the status of electricity emissions and different power structures in each country for its global business sites. The Company will strive to achieve RE100 by implementing active strategies by the target year.

### RE100 Implementation Performance

After managing solar power facilities at its Anseong plant for about a year, Lotte Chilsung Beverage invested additional technology expenditures in securing the means to fulfill RE100 and, from August 2022, converted the generated solar power to self-consumption. In addition, the Company is installing additional solar power facilities in the Anseong Injection Plant and Chungju Plant 2 in 2023 by reviewing the suitability of solar power installation and the safety of the structure. The Company plans to revisit technology investment in spaces where solar power can be installed sequentially and will systematically achieve RE100 by utilizing other RE100 methods for shortfalls. RE100 implementation measures, such as solar installations and third-party PPA contracts, take a relatively long time to review for feasibility. Therefore, at this point in the initial stage of RE100 implementation, the Company proceeded with a green premium purchase, which can be utilized quickly. In fact, for the first time, the Company purchased 5.8 GWh of green premium in 2023.



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### GHG Emission Reduction Activities

Lotte Chilsung Beverage exercises a planning, implementation, monitoring, and evaluation system to achieve the 2040 carbon neutrality target and conducts activities to reduce GHG emissions. Environmental management managers and officers at each business site, the Quality Innovation Department, and the Technology Research Center all participate in discovering and introducing reduction issues to deliver the GHG reduction target and review green technology investments for the transition to renewable energy. The Company strives to reduce GHG emissions by monitoring and sharing monthly GHG reduction performance and giving extra evaluation points to business sites that discover excellent reduction cases.

### Investment in Electricity Efficiency Technology

Since 2020, Lotte Chilsung Beverage has expanded installing the Optimum Power Control for Motors (OPC-M), an electricity-saving system, at its business sites through an energy efficiency improvement project. The OPC-M is a device that saves power by modifying the active power of the shaft power that changes in real time, unlike the inverter, which controls the motor speed by adjusting the existing frequency. Since 2020, the Company has identified the status of facility motors applicable to each business site and reviewed their installation. In 2022, the Company installed OPC-M at Anseong Plant, which reduced GHG emissions by 650tCO<sub>2</sub>-eq per year. Going forward, the Company intends to expand technology investments in various fields to promote electricity efficiency in business sites.

### Energy Saving by Improving the Driving Method

Lotte Chilsung Beverage not only invests in technology but also establishes an annual energy-saving plan to promote energy efficiency. Also, internal efforts are being made to reduce unnecessary energy consumption by improving the driving method. The Company strives to reduce energy consumption in various aspects through activities to improve the driving method of field employees, such as the reduction of electricity and fuel consumption by lessening the operation of unnecessary equipment, the readjustment of the pressure of heating facilities on-site production lines, and the improvement in the operation method of circulation pumps. In 2022, GHG emissions were reduced by 1,530tCO<sub>2</sub>-eq by improving driving methods. Lotte Chilsung Beverage will continue to carry out improvement activities so that all employees can work together to reduce energy consumption at the workplace.

### Expanded Adoption of Electric Vehicles

For product sales and transportation, Lotte Chilsung Beverage possesses approximately 2,500 vehicles, including passenger cars, vans, and trucks. The Company is gradually converting to eco-friendly vehicles, from passenger cars to forklifts and trucks among internal combustion engine vehicles, to reduce GHG emissions and plans to continue with an internal conversion plan based on the EV supply status. After the pilot introduction of EV water trucks in some branches in August 2021, the Company converted applicable vehicles to EVs, managing 212 EVs (8.5% conversion) as of the end of 2022. Through this, the Company reduces GHG emissions by about 648tCO<sub>2</sub>-eq per year.

Furthermore, to deal with the use of EVs efficiently, the Company has installed 42 charging stations in major branches, with the plan to continuously expand the electric vehicle charging infrastructure.



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### Calculation of Scope 3 based on Supply Chain Participation

Lotte Chilsung Beverage measures GHG emissions in Scope 3 across the upstream and downstream value chains. Lotte Chilsung Beverage has established the organizational boundaries of its workplaces in accordance with the control approach method. The Company's business activities in the value chain generate 9 out of 15 categories of GHG emissions, and Scope 3 GHG emissions in 2022 are 1,586,709 tCO<sub>2</sub>-eq. In particular, Lotte Chilsung Beverage applied a method of directly collecting activity data mainly from key suppliers for the practical reduction of Scope 3 emissions and separately developed and distributed an Excel-based activity data calculation tool. The Company has laid the groundwork for mid to long-term Scope 3 reduction by establishing an emission collection system within the supply chain, with a roadmap for reducing Scope 3 GHG emissions by 2050, and is preparing to join the SBTi and submit reduction targets within 2023. Lotte Chilsung Beverage will continue to advance the Scope3 measurement and management system and support partners to participate in GHG reduction activities by establishing a carbon management foundation for GHG reduction in the value chain.

### Scope 3 GHG emissions in 2022 (tCO<sub>2</sub>-eq)



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## Eco-Friendly Products

### Environmental Product Declaration Certification

Lotte Chilsung Beverage participates in Environmental Product Declaration (EPD) Certification, which quantifies the environmental impact of the entire process, from raw material collection to production, distribution, use, and disposal, to respond to climate changes and environmental information disclosure demands and constantly strives to expand products certified by the EPD. The Company received EPD certification for two types of Chilsung Cider in 2021 and acquired certification for the first time as coffee products in 2022 for three types of Cantata Contra Base Cold Brew 500mL PET (Black, Sweet Black, Latte), two types of Cantata 275mL cans (Premium Latte, Caramel Macchiato), and three types of Today's Tea 500mL PET (Corn Silk Tea, Golden Barley Tea, Korea Raisin Tea), ending up with additional certification for eight products in 2022 alone. By adding EPD certification for Chilsung Cider products in 2023, the Company has obtained certification for 13 products as of June 2023 and plans to continuously expand certification to not only soft drinks but also bottled water and alcoholic beverages. In addition, the Company is pursuing additional Low Carbon Product certification for three types of Today's Tea. Lotte Chilsung Beverage's eco-friendly product sales in 2022 reached KRW 155 billion, with a 5.9% contribution to total sales. The Company has improved eco-friendly sales by 2.7%p compared to the previous year and intends to increase eco-friendly sales by expanding EPD certification and Low Carbon Product certification.

### Environmental Product Declaration and Low Carbon Product Certification



\* Plans to acquire additional low-carbon product certification

### Green Purchasing Policy

Lotte Chilsung Beverage intends to expand the purchase of products with green product certification. To increase the purchase of green products, the Company consults with relevant departments to prioritize purchasing green products considering eco-friendliness and sustainability in the entire process of raw materials, packaging materials, logistics, transportation, and waste treatment. Also, the Company sets purchase performance as an internal environmental management indicator and monitors it every year. Due to the nature of an F&B company, green products are mainly office equipment and home appliances for employees. However, the Company will continue to supplement its green purchasing policy to expand green products throughout the entire process and will strive for sustainable development by minimizing the environmental impact and reducing the waste of resources and pollutant emissions.

(Unit: KRW mil)

Year	Total purchase	Green purchase	Green purchase contribution
2021	984,076	14	0.001%
2022	1,361,296	136	0.01%

### Green Product Certification System

Classification	Eco-Label Certification	Low Carbon Product	Good Recycled (GR) certification
Mark			
Purpose	Product certification with excellent environmental performance throughout the entire life cycle (satisfying KS quality or higher)	Products that have reduced GHG emissions among products that have received EPD certification	Certification of high-quality products among products manufactured by recycled waste resources
Target	Office equipment, home appliances, daily necessities, etc.	All products except medical devices, pharmaceuticals, primary agricultural and livestock products, and forest products	11 fields including waste paper, waste rubber, waste plastic, and waste wood
Certification standard	Eco-label website	Notification of low-carbon product standards	GR Product Information System



# Climate Change Measures and the System for Carbon Neutrality

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## TCFD

### Progress and Direction of Lotte Chilsung Beverage TCFD

TCFD was established in 2015 by the Financial Stability Board (FSB) under the G20 as a consultative body for disclosing financial information related to climate change. It mainly aims to quantify the risks and opportunities of climate change that can affect companies and to integrate and disclose them financially. Lotte Chilsung Beverage has established a management system to comply with TCFD recommendations to respond to the needs of the international community and reflect them in management activities and investment decisions and continuously reports the status of TCFD responses.

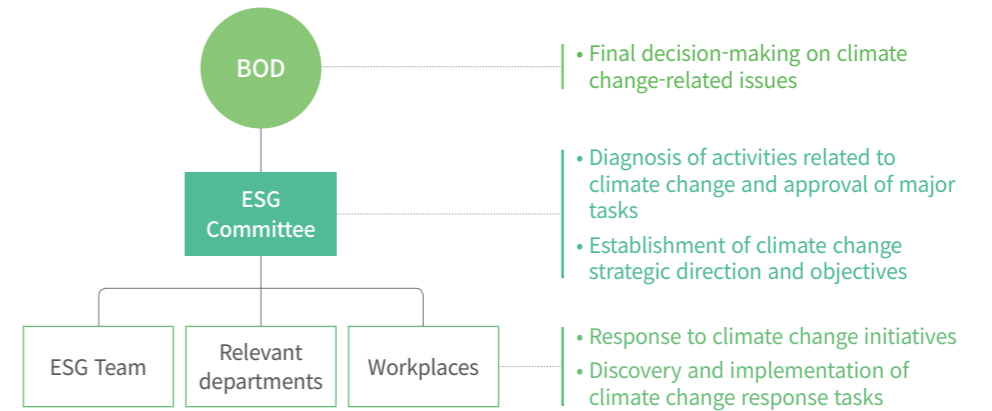


### Basic direction for Lotte Chilsung Beverage TCFD response

Governance	Strategy
<ul style="list-style-type: none"> <li>Strengthening the climate change-related decision-making system of the ESG Committee</li> <li>Identification of risks and opportunities related to climate change, advancement of management and supervision system</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of risks and opportunities related to climate change</li> <li>Establishment of a corporate response system considering climate change scenarios</li> </ul>
Company-wide Risk Management	Target & Metrics
<ul style="list-style-type: none"> <li>Establishment of climate change risk identification, evaluation, response, and monitoring system</li> <li>Integration of climate change risk management system and company-wide risk management system</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of quantitative indicators related to climate change risks and responses and reinforcement of management</li> <li>Maximization of efficiency for performance management by establishing various environmental systems</li> </ul>

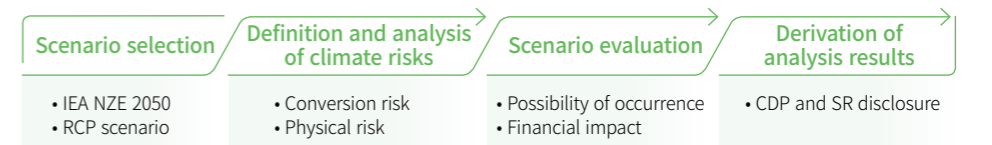
### Governance for Climate Change Response

Lotte Chilsung Beverage has formed the ESG Committee with five outside directors under the board of directors to respond to climate change. The Committee oversees issues and risks related to climate change, supervises the establishment of Company-wide response strategies, approves major assignments, and is in charge of final deliberation on information disclosure.



### Scenario Analysis on Climate Change

Based on the analysis of climate change scenarios, Lotte Chilsung Beverage analyzes the impact on the business system and prepares measures to respond according to the situation. The Company has conducted a feasibility analysis based on climate change scenarios presented by IPCC and IEA.



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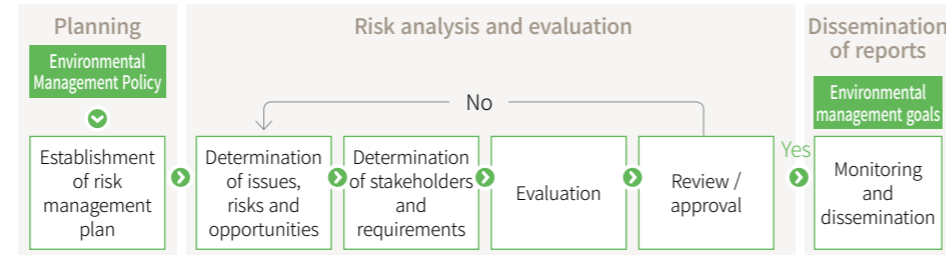
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### Environmental Risk Management

Lotte Chilsung Beverage strives to effectively maintain and improve its environmental management system by identifying and managing environmental risks and opportunities, such as climate change response, water resource management, chemical management, and legal response, considering internal and external issues and stakeholder requirements. The Company evaluates problems, risks, and opportunities related to the organizational environment due to corporate and resident supplier activities through regular environmental risk assessments once a year and reflects the results when setting environmental objectives. In addition, the Company monitors issues, such as changes in the CEO's management policy that affect business activities, investment in environment-related technologies, and changes in stakeholder requests, and conducts irregular evaluations whenever necessary.

#### Risk and Opportunity Assessment Process

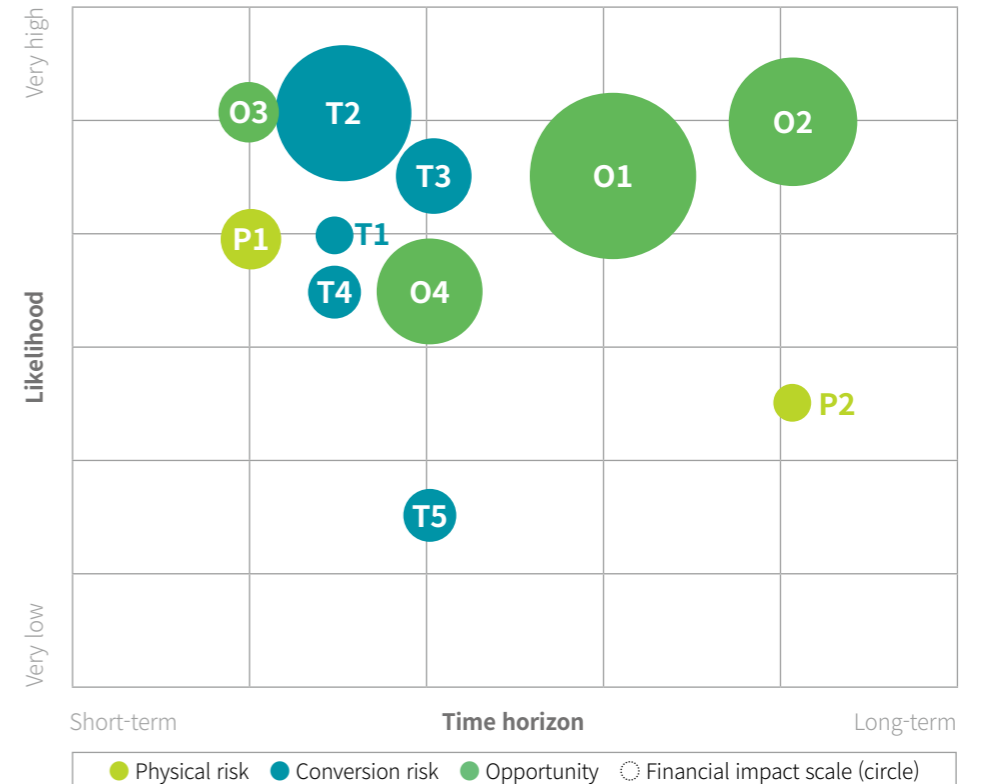


#### Considerations for Risk and Opportunity Assessment

Relevant standard clauses	Input information	HR qualification / competence	Method / procedure
<ul style="list-style-type: none"> <li>Manual for the environmental management system</li> <li>Operating regulations for the environmental management system</li> <li>Environmental operation management regulations</li> <li>Identification of environmental aspects and evaluation guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Internal/external issues</li> <li>Stakeholder requirements</li> <li>Environmental aspects</li> <li>Environmental legislation</li> </ul>	<ul style="list-style-type: none"> <li>Clarification of departmental responsibilities and authorities</li> </ul>	<ul style="list-style-type: none"> <li>Identification of internal and external issues</li> <li>Risk and opportunity assessment</li> </ul>

### Climate Change Risk and Opportunity Management Matrix

Lotte Chilsung Beverage analyzes management risks and opportunities from climate change and establishes and manages optimized response plans for each issue to achieve sustainable corporate growth. Lotte Chilsung Beverage identifies key risks such as GHG emission regulations, increased interest and demand from stakeholders related to climate change, and the impact of abnormal weather on the supply chain and business sites. In response, the Company has identified new opportunities, such as expanding the use of renewable energy, recycled plastics, and eco-friendly products.



# Climate Change Measures and the System for Carbon Neutrality

## Analysis of Climate Change Risk and Opportunity Management Scenarios

Lotte Chilsung Beverage categorizes the critical management issues that climate change has on management into physical risks, conversion risks, and opportunity factors, considers their materiality and urgency, and reflects them in the company-wide strategy.

Classification		Risk and opportunity	Financial/non-financial impact	Likelihood	Time horizon	Financial impact (KRW mil)	Response activity
Physical Risk	Acute P1	Global supply chain risk from physical impacts	1) Supply chain and distribution disruptions and physical damage caused by natural disasters 2) Reduced supply and increased raw material costs due to climate change 3) Cross-border import/export closure due to physical effects such as infectious diseases	High	Short-term	4,707	1) Supply Chain Management: Securing a raw material substitute supply chain to respond to supply chain issues from physical effects
	Chronic P2	Decreasing production capacity due to abnormal weather	1) Increased possibility of water shortage and reduced production capacity due to changes in precipitation patterns 2) Sales decline due to business suspension on drought	Mid	Mid/long-term	779	1) Water Stress Monitoring: Identifying Water Stress by Workplace 2) Recycling rate improvement: CIP water reuse, rinsing water reuse, etc. 3) Research on securing alternative water resources: Finding ways to utilize alternative water resources that can be secured as drinking water and industrial water
Conversion Risk	Policy/Regulation T1	Increasing costs due to stricter GHG emission regulations	1) Increased demand for compliance with climate change policy-related regulations, such as global GHG emission regulations and carbon tax, and increased investment in technology to reduce GHG emissions 2) Increased cost of purchasing global GHG emission rights due to implementation of carbon neutrality	High	Short-term	831	1) Establishment of carbon neutral implementation system-Setting GHG reduction targets: Establishing a GHG plan by advancing the 2040 carbon neutrality roadmap-Ready for joining the SBTi: Preparing effective GHG reduction plans by establishing science-based reduction targets 2) Expansion of EV introduction: GHG reduction by step based on the EV transition target
	Policy/Regulation T2	Increasing operating costs due to energy use reduction policies	1) Unstable power supply and rising electricity rates due to fossil fuel consumption regulations 2) Increased energy operating costs for factories and buildings due to rising electricity rates	Very high	Short-term	24,991	1) Higher efficiency of facilities: Reduction of electricity and fuel consumption by introducing and replacing high-efficiency facilities 2) Implementation of energy saving activities such as enhancing driving method and operating power peak system during power consumption period
	Policy/Regulation T3	Increasing costs due to plastic use regulations	1) Increase in technology investment costs to reduce plastic use, such as plastic weight reduction and increased use of recycled raw materials 2) Increased share of recycling due to strengthened plastic recycling grade regulations	Very high	Short/mid-term	6,040	1) Laying the groundwork for technology investment and implementation to expand lightweighting and introduce rPET 2) Research and development to improve plastic recycling grade
	Reputation T4	Growing demand for social responsibility for environmental issues	1) Increasing demand for corporate social responsibility for environmental issues such as climate change and biodiversity 2) Sales impact due to increase/decrease in customer trust	Mid	Short-term	2,229	1) Expansion of environmental preservation activities according to the fulfillment of corporate social responsibility - Environmental education programs and campaign activities, water quality improvement activities, biodiversity conservation campaigns, etc.
	Market T5	Growing stakeholder interest and demand related to climate change	1) Increased interest and demand from stakeholders such as clients and investors regarding climate information disclosure and greenhouse gas reduction measures 2) Adverse impact on corporate investment and sales in case of failure to meet stakeholder demand	Very low	Short/mid-term	3,720	1) Calculation of Scope 3 emissions: Identification of GHG emissions at all stages of the value chain and preparation of reduction implementation plans 2) Participation in initiatives: Disclosure of GHG reduction goals and implementation status based on global initiatives such as CDP, TCFD, and RE100
Opportunity	Resource efficiency O1	Reducing production costs by establishing a resource circulation economy	1) Commercialization of recycled raw materials by activating R&D according to the need to build a resource circulation economy at home and abroad → Reduction of production costs 2) Improvement of corporate image by reducing plastic usage and advancing the establishment of a resource-circulating economy	Very high	Mid-term	34,552	1) Establishment of resource circulation economy: Establishment of resource circulation process and preparation of roadmap 2) Reduction of plastic usage: weight reduction of PET bottles, expansion of no-label/short-label products, etc. 3) Reinforcement of plastic recycling: education on waste plastic separation, improvement of recycling ease, utilization of waste PET bottle recovery system
	Energy resources O2	Reducing GHG emissions by expanding renewable energy	1) Reinforcement of related industry ecosystem through active use of new and renewable energy 2) Reduction in the cost of purchasing GHG credits	Very high	Mid/long-term	20,668	1) Establishment of mid- to long-term roadmap by means for the mid- to long-term implementation of RE100 2) Discovery of domestic and foreign renewable energy businesses and strengthening of linkages (third-party PPA and equity investment, etc.)
	Products & services O3	Increasing consumer demand for eco-friendly products and health functional foods	1) Growing consumer interest in carbon emissions and resource efficiency 2) Increase in sales of eco-friendly products and health functional foods → Entry into new markets by discovering related products and services	Very high	Short-term	3,325	1) Leveraging the Lifecycle Portfolio - Launching products tailored to the customer life cycle, such as organic products, low-sugar products, low-calorie products, and health functional foods 2) Establishment and expansion of product portfolio accessible to consumers who prefer eco-friendly products
	Market O4	Securing a competitive edge by reducing product carbon footprint	1) Reinforcing measures according to mandatory disclosure of carbon information for export products 2) Need for GHG management throughout the product life cycle 3) Increase in sales by securing a competitive edge through low-carbon product certification	Mid	Short/mid-term	12,286	1) Reinforcing management of GHG emissions throughout the entire product life cycle by expanding products certified with the EPD 2) Reinforcing eco-friendliness of products through additional certification and expansion of low-carbon products

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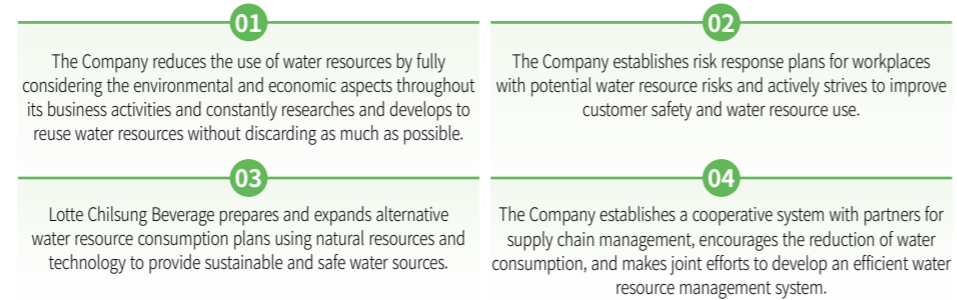
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## Water Resource Management System

### Water Resource Management

Lotte Chilsung Beverage conducts corporate activities using water resources and strives to ensure efficient operation and management with a sense of responsibility for water resource management. Water-related risks such as water pollution, water shortage, drought, and flood can significantly impact corporate management activities. Accordingly, Lotte Chilsung Beverage has established water resource management policies and implementation plans to maintain productivity and quality and fulfill its responsibilities for creating a sustainable water ecosystem. Concerning all business sites of the Company, stakeholders such as local governments and residents cooperate to identify and respond to water resource risks and opportunities in relevant areas.

### Water resource management policy



### Implementation plan of water resource management policy

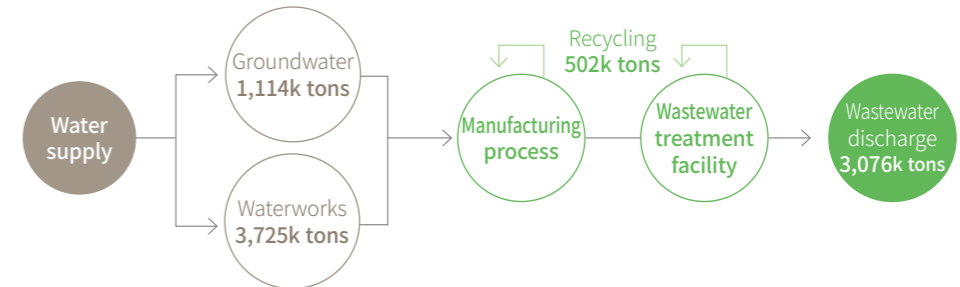
- 01 Establishment of water resource targets**
  - Establishment of water resource reduction goals and action plans that can minimize the environmental impact of water resource utilization throughout business activities
- 02 Establishment of monitoring system**
  - Establishment of a systematic water resource management strategy to reduce wastewater pollution and increase recycling rate through monitoring
- 03 Water resource risk analysis and response system preparation**
  - Management and analysis of water stress by business site
  - Water resource availability according to production plan, analysis and monitoring of possible physical, regulatory and environmental risks
  - Searching for alternative water resource utilization plans

### Details of Water Resource Management Improvement

Lotte Chilsung Beverage recognizes the importance of water resources and sets to manage water resource reduction items at business sites every year to ensure efficient resource utilization. The Company tries to manage water resources through various methods, such as improving driving methods and reusing water.

Business site	Reduction detail
Anseong Plant	4 cases including improvement of groundwater intake (reduction of city water usage), reduction of restaurant dish washing water, etc.
Daejeon Plant	Reduction of water consumption by installing a water saver for washing dishes in restaurants
Yangsan Plant	Water consumption reduction by adjusting CIP matrix
Gyeongsan Plant	Reduction of water consumption due to change in restaurant operation method
Chungju Plant 1	Reuse of brewing CIP water, reuse of rinsing water wastewater treatment plant
Gunsan Plant	Reuse of final rinsing water in three bottles, water consumption reduction by changing brewing filter type

### Material balance diagram for water resources



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## Water Resource Risk

### Management of Water Resource Risks and Opportunities

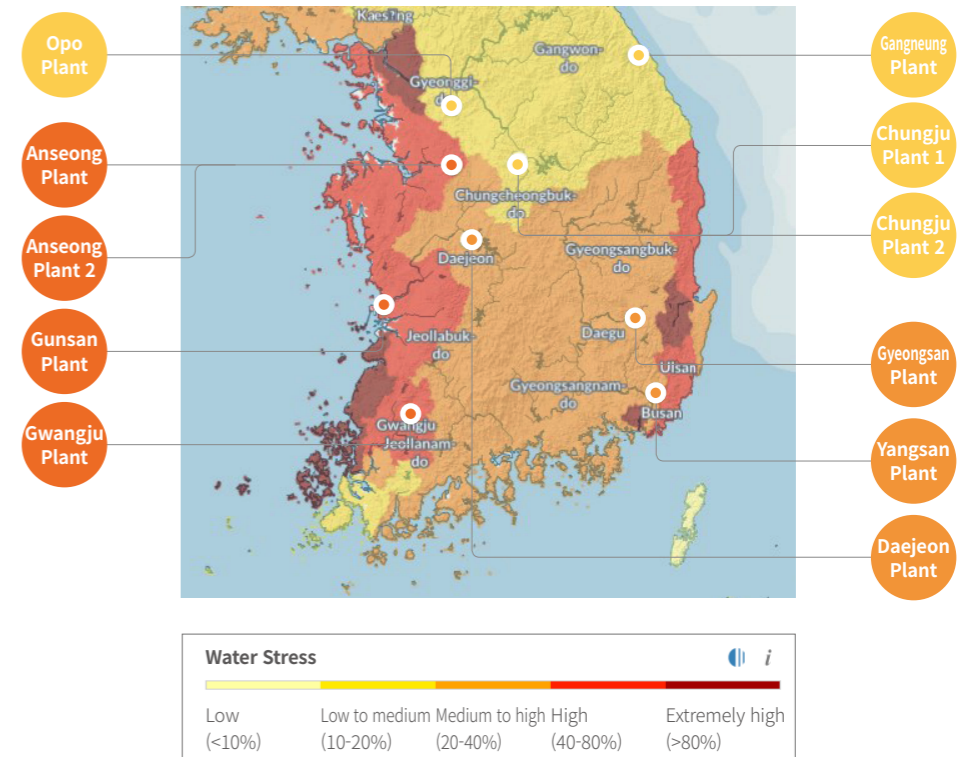
As the damage from extreme weather events due to the climate crisis becomes serious, demands for water resource management are growing, such as discussions on international water management and mandatory disclosure of water. Lotte Chilsung Beverage plans to identify risks and opportunities related to water resources and implement countermeasures to advance the water resource management system and respond to the needs of the international community. Also, the Company prepares systematic water use management plans by reducing water consumption and expanding recycling and intends to contribute to resource circulation through advanced water management plans.

Classification	Risk and opportunity	Financial/non-financial impact	Likelihood	Time horizon	Financial impact (KRW mil)	Response activity
Physical Risk	Acute	<ul style="list-style-type: none"> <li>Increase in opex due to water pollution</li> <li>Deterioration in water intake and productivity due to water pollution</li> <li>Increase in wastewater treatment costs due to water pollution</li> </ul>	Mid	Short-term	96,619	<ul style="list-style-type: none"> <li>Establishment of internal standards for discharge concentration of water pollutants</li> <li>Regular monitoring of water quality management</li> </ul>
	Acute	<ul style="list-style-type: none"> <li>Deterioration of production capacity due to drought</li> <li>Difficulty in supplying raw materials due to increased water stress</li> <li>Restriction of water intake and decrease in productivity due to water stress and drought</li> </ul>	Mid	Mid/long-term	779	<ul style="list-style-type: none"> <li>Research on the use of alternative water resources</li> <li>Monitoring of water stress</li> </ul>
	Chronic	<ul style="list-style-type: none"> <li>Increase in opex due to higher water stress</li> <li>Poor product quality and increased water treatment costs due to deterioration in water quality at intake sources</li> <li>Increased production costs due to difficulties in securing new water sources</li> </ul>	Very high	Short/mid-term	1,847	<ul style="list-style-type: none"> <li>Monitoring of intake water quality management</li> <li>Searching for ways to secure new water sources</li> </ul>
Conversion risk	Reputation	<ul style="list-style-type: none"> <li>Damage to brand image due to water shortage problem</li> <li>Increased risk for water intake and water quality management due to heavy rain and drought</li> <li>Damage to the brand image due to restrictions on access to water by local residents</li> </ul>	High	Short/mid-term	480,000	<ul style="list-style-type: none"> <li>Establishment of a water resource system for water quality management in the process of water intake, consumption, and disposal</li> </ul>
Opportunity	Resource efficiency	<ul style="list-style-type: none"> <li>Cost savings through efficient water use</li> <li>Growing need for investment in new technologies to reduce water consumption and recycle</li> <li>Reduction of production cost through water reduction activities</li> </ul>	Mid	Short/mid-term	3,506	<ul style="list-style-type: none"> <li>Discovery of internal means to improve water recycling rate</li> </ul>
	Resilience	<ul style="list-style-type: none"> <li>Brand enhancement through water management cooperation with local communities</li> <li>Improvement of corporate image through collaboration with local governments and residents and property management</li> <li>Management and preservation of natural capital in the surrounding area through water management activities near water intake sources</li> </ul>	Very high	Short-term	568,349	<ul style="list-style-type: none"> <li>Watershed management near workplaces</li> <li>Cleanup activities with local governments and residents</li> <li>Business activities related to local communities and water</li> </ul>

### Water Stress Management by Workplace

To manage water stress, Lotte Chilsung Beverage is expanding the scope of water management not only to workplaces but also to water intake areas where business sites are located. The Company utilizes 'aqueduct tools' of the World Resources Institute (WRI) to monitor and manage water stress in the intake area of each business site.

#### Water stress map by workplace



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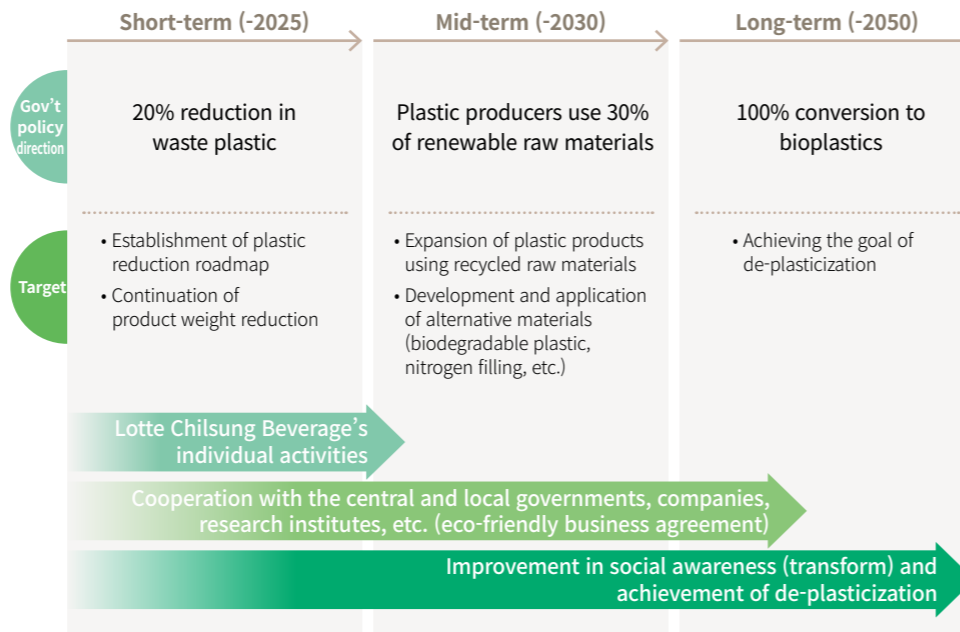
## Establishment of Resource Circulation Economy

Lotte Chilsung Beverage strives to establish its own resource circulation system by comprehensively considering internal and external corporate trends and government regulations. The Company seeks to minimize the environmental impact of plastic by establishing a virtuous cycle of resource system to expand sustainable, eco-friendly packaging for PET bottles and packaging waste generated from products.

## Establishment of Plastic Reduction Roadmap

Lotte Chilsung Beverage aims to reduce plastics based on its individual activities and plans to eliminate plastics by actively responding to changes in the internal and external environment. Therefore, the Company has established a roadmap to achieve plastic elimination and set four plastic reduction strategies: reducing plastic emissions, expanding the use of recycled plastics, improving the ease of recycling, and raising awareness of resource circulation. Lotte Chilsung Beverage plans to actively pursue research and feasibility studies on applicable plastic reduction activities by continuously identifying government policies and technology trends.

### Plastic reduction roadmap



### Plastic reduction strategy

Reducing plastic emissions	Expanding the use of recycled plastic
<ul style="list-style-type: none"> <li>Reduction of virgin plastic emissions by lowering weight of PET bottles</li> <li>Weight reduction promotion performance in 2022</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of production of rPET products using recycled materials</li> <li>Manufacturing products by securing raw materials for M-rPET and C-rPET and verifying quality</li> <li>Expansion of application rate of recycled raw materials through R&amp;D</li> </ul>
Improving the ease of recycling	Raising awareness of resource circulation
<ul style="list-style-type: none"> <li>Efforts to improve the recycling grade of manufactured products</li> <li>Promotion of research and development to improve grades with recycling difficulties and upgrade to the highest grade</li> <li>Review of application of new eco-friendly packaging technology such as PO label and washable ink</li> </ul>	<ul style="list-style-type: none"> <li>Advancement of RE:Green campaign (establishment of sales-collection-recycling process)</li> <li>Promotion of business agreements in connection with central and local government agencies related to resource circulation</li> </ul>

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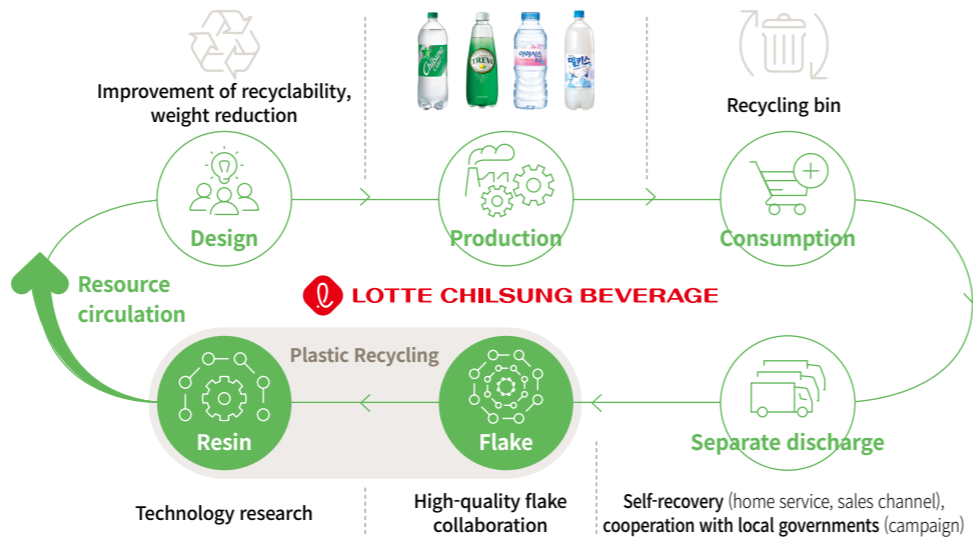
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### Establishment of Resource Circulation Process

Lotte Chilsung Beverage carries out various activities to reduce plastic emissions and recycle plastic waste to build a sustainable resource circulation economy. Since 2010, Lotte Chilsung Beverage has constantly researched to manufacture lighter products to reduce plastic waste. Also, the Company introduced eco-tabs and eco-perforated lines and released Korea's first label-free mineral water, facilitating recycling and separate discharge when consumers discard products. Lotte Chilsung Beverage aims to create a resource circulation process, a virtuous cycle of production-consumption-disposal-recovery-recycling, by recovering waste resources, launching rPET products using recycled raw materials, and promoting the RE:Green campaign. Going forward, the Company will continue to reduce plastic consumption through technology research related to renewable raw materials and collaboration with suppliers. Furthermore, the Company will continue to take eco-friendly steps by solidifying the virtuous cycle process leading to eco-friendly products by using recycled raw materials and expanding the composition ratio of rPET products.



### RE:Green Campaign

#### Collaboration to Build a Resource Circulation System

Beginning in 2021, Lotte Chilsung Beverage seeks to build a sustainable resource circulation economy by reducing petroleum-derived plastics and recycling waste plastics through the RE:Green Campaign. As part of the RE:Green Campaign, the Company installed waste PET bottle collection boxes at 11 customers in downtown Seoul and produced eco-friendly uniforms by upcycling PET bottles collected. Lotte Chilsung Beverage participated in the Zero Seoul Corporate Action Group in 2023 to secure a resource circulation value chain and advance the system. When Lotte Chilsung Beverage collects waste plastic bottles, Lotte Chemical's suppliers collect them and turn the waste into flakes to make them into resources. Lotte Chemical plans to produce upcycling products using this raw material through rPET research and external collaboration. Lotte Chilsung Beverage will continue its RE:Green Campaign activities to contribute to building a resource circulation economy.

#### Business Agreement for Separate Disposal of Transparent PET Bottles

Lotte Chilsung Beverage signed an agreement with the Songpa-gu Office for the successful establishment of a separate discharge system for transparent PET bottles, promoting the system and events to encourage residents to participate. In October 2022, the Company participated in the 'Upcycling Expo' hosted by the Songpa-gu Office, exhibited and introduced its label-free PET bottles by arranging the Zero Waste Market booth, and explained the correct way to separate and dispose of PET bottles. Lotte Chilsung Beverage will continue to support citizens to voluntarily contribute to resource circulation activities through agreements with local governments..



#### PET Bottle Collection System

Lotte Chilsung Beverage has installed a PET bottle collection box and has managed the PET bottle collection system since the second half of 2021. In 2022, the Company collected 18,220kg of waste plastic bottles through the collection system. Lotte Chilsung Beverage will continue to build a resource circulation system by expanding the collection system.

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### Resource Circulation Activities

#### Plastic Diet for the Environment

##### Weight Reduction of Plastic Bottles

Lotte Chilsung Beverage constantly researches the weight reduction of products to cut plastic consumption. In 2022, the Company made the ICIS 200mL and 300mL lightweight, reducing the body weight of the existing PET bottle by about 10% from 10.5g to 9.4g, the lowest-weight container in Korea for mineral water with the same capacity PET bottle. Lotte Chilsung Beverage reduced plastic consumption by about 116 tons per year by promoting the weight reduction of PET bottles for mineral water. In addition, in 2022, the Company reduced the weight of four types of 500mL PET bottles for Today's Tea by approximately 14% from 28g to 24g and lowered the weight of Milkis 1.5L PET bottles from 44g to 42g. Going forward, the Company will continue to seek to reduce the amount of plastic used for PETs of soft drinks, alcoholic beverages, and bottled water products, regardless of the type and capacity.

##### Expansion of Labe-free/Short-label Products

Lotte Chilsung Beverage is expanding its label-free products, starting with the release of ICIS 8.0 ECO label products in January 2020. Label-free products are eco-friendly, with a higher recycling rate by reducing plastic labels and improving the convenience of separate discharge. This represents 2022 sales of 24.25 million boxes, an increase of 1,670% YoY. When converting the plastic used in label packaging materials into weight, 129 tons of waste was reduced. In addition, Lotte Chilsung Beverage is in the process of renewing short-label products with a reduced label area in 2023. The renewed ICIS product will continue its eco-friendly move by cutting the label size by up to 38% and additionally reducing up to 12 tons of plastic annually.



#### Use of Recycled Raw Materials based on Waste Plastic

There are social efforts being made to create a circular economy by reusing disposable and discarded plastics. Lotte Chilsung Beverage joins this effort and researches to expand the use of recycled plastics by increasing the use of eco-friendly, recyclable plastic containers without quality problems and harmless to consumers. Going forward, the Company will work with the government and related organizations to increase the ratio of renewable raw materials to accelerate the revitalization of a resource circulation economy.

##### Introduction of Mechanic-recycled PET (M-rPET)

Lotte Chilsung Beverage applied mechanical recycling technology to the product container, which mixes recycled plastic raw materials made from high-quality plastic by-products from the Company's manufacturing facilities with existing plastic raw materials and applies heat to PET bottles without major changes in their chemical structure. Lotte Chilsung In March 2022, Lotte Chilsung Beverage used 10% recycled plastic raw material and launched ICIS 8.0 ECO 1.5L product using mechanical-recycled PET (M-rPET) for the first time in the Korean beverage industry. Also, the Company applied 20% of recycled raw materials to shrink film, a product packaging material, to cut the use of petroleum-derived plastics by using eco-friendly packaging film (recycled PE).



#### Improvement of Recyclability

##### Use of Eco-Tab and Eco-Perforated Lines

Lotte Chilsung Beverage continues to develop its packaging to improve the recyclability of plastic waste. The Company introduced EcoTab for the first time in Korea in 2019, which improved convenience when separating labels by not using adhesive at the end of the PET bottle label, and applied eco-perforated lines to shrink-label products to improve convenience when separating labels from products. Lotte Chilsung Beverage applied transparent PET bottles and eco-perforated lines to Chilsung Cider Plus packages in 2022 and intends to improve product recyclability down the road.



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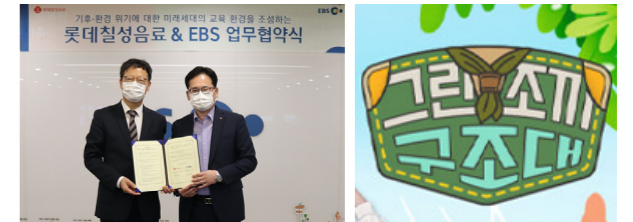
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## Biodiversity Campaign Activities

Biodiversity has recently been featured on the agenda of international conferences, while biodiversity degradation is considered one of the three major global crises. Lotte Chilsung Beverage recognizes the need to improve awareness of biodiversity and preserve nature and is carrying out various activities to protect the natural environment in connection with business activities.

### Environmental Education for Children and Campaign Activities with EBS

Lotte Chilsung Beverage supported the production of ‘Green Vest Rescue Team,’ an EBS environmental education program, for children to grow into ‘environmental citizens’ who actively sympathize with climate and environmental issues and exercise social practices independently, with offline ecological training programs for kindergarteners and elementary school students. The ‘Green Vest Rescue Team’ program, aired four times, dealt with environmental issues of plastic waste and the importance of separate discharge, as well as topics on the correct separation method and environmental protection with friendly characters in the first offline education held at Namdong Elementary School in Incheon in October 2022.



### Online Environmental Education

Lotte Chilsung Beverage produced and aired four episodes of environmental education content that help children easily understand the importance of environmental preservation and biological protection based on examples of the Company’s eco-friendly business activities, such as plastic collection and label-free mineral water production.

#### Marine debris ‘Ida’



Introducing the process of production, collection, and recovery of plastic bottles through the character ‘Ida’

#### I'm going to be a Green Vest Rescue



Introducing eco-friendly, label-free plastic bottle, weight reduction, and rPET manufacturing process

#### ‘Ida’ who saved Manatee



Introducing resource circulation process and upcycling process using rPET

#### A new member of the Green Vest Rescue Team!



Green Vest Rescue Team environmental education curriculum (introduction to the correct way to separate and dispose of PET bottles)

### Offline Environmental Education and Campaign

Lotte Chilsung Beverage visited Namdong Elementary School in Incheon through a program called ‘Green Vest Rescue Team’ with EBS to provide offline environmental education so that children can easily understand the importance of protecting endangered species and preserving the environment. Also, the Company installed a PET bottle collection box and conducted a campaign to improve children’s environmental protection awareness. Lotte Chilsung Beverage will continue to visit kindergartens and elementary schools in 2023 to provide offline environmental education.



# Biodiversity

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### ‘Remember Me Campaign’ for biodiversity preservation

Lotte Chilsung Beverage is carrying out the ‘Remember Me Campaign’ to recall the disappearing marine life and revive the meaning of protecting endangered species through ICIS 8.0. In March 2022, Lotte Chilsung Beverage collaborated with ‘Seongsil Hwarang,’ a graphic design studio, to launch ‘ICIS 8.0X Seongsil Hwarang Edition’. The Company raised KRW 80 million from the sale of the edition and contributed to activities to protect marine species by donating it to the Marine Biodiversity Project of the National Nature Trust. In 2023, the Company is also conducting the ‘ICIS 8.0 X Springshine Edition’, Season 2 of the Remember Me Campaign and plans to donate some of the proceeds from sales this year to the National Nature Trust to help consumers become interested in protecting endangered marine life.



### Migratory Birds and Habitat Conservation

In December 2022, Lotte Chilsung Beverage collected the participation fee for the two-day ‘Scottish Whiskey Brand Glen Goyne Tasting’ held at the Nest of Goose Ikseon in Ikseon-dong, Jongno-gu, Seoul. The entire participation fee was donated to the East Asian-Australasian Flyway Partnership (EAAFP) in the participant’s name to protect the nests of migratory birds along the East Asian-Australasian Flyway to prevent the destruction of migratory birds and their wetlands. Wild geese live along the East Asia-Australia Migratory Flyway and are in danger of extinction due to wetland destruction and marine debris due to indiscriminate development. The Company will continue to work with relevant organizations to preserve migratory birds and their habitats.



### Forest Creation to Restore the Ecosystem and Protect the Climate Environment

On April 5, 2023, to celebrate Arbor Day, Lotte Chilsung Beverage held a tree planting event to create an ‘ESG Hope Forest’ at the National Forest Healing Center in Yeongju, Gyeongsangbuk-do with Nonghyup Economic Holdings and Korea Forest Welfare Institute. The Company planted 365 trees and expressed its will to practice ESG management 365 days a year. Nonghyup and Lotte Chilsung Beverage displayed four types of ‘label-free eco products (Cider Zero ECO, Pepsi Zero ECO, ICIS ECO 500ml, 2L)’ without labels attached to the surface of individual containers at Hanaro Mart’s dedicated eco-friendly shelves nationwide, donated proceeds to the Korea Forest Welfare Institute to use as a resource for creating the ‘ESG Forest of Hope.’ Since 2018, Lotte Chilsung Beverage has been carrying out green space creation projects, starting with the ‘Chum-Churum Forest Creation Project’ on a total area of 44,600m<sup>2</sup> by creating a forest on four occasions.



### Water Quality Improvement Project for Seokchon Lake

Water Quality Improvement Project since 2023 as part of its efforts to improve the water environment and restore the aquatic ecosystem. Lotte Group’s six affiliates, including Lotte Chilsung Beverage, plan to conduct water purification programs and ecological monitoring and hold various events with Songpa-gu Office, civic NGO Green Future, and water purification company Genks. The ecological monitoring group with Seoul citizens observes biodiversity, such as birds, fish, and insects, in the clear Seokchon Lake and pays attention to preserving the Seokchon Lake ecosystem. To improve water quality, the Company intends to manage the quality of water by improving the turbidity and cleanliness of Seokchon Lake by administering eco-friendly water purification products.



# Social

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

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

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# Supply Chain Management

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## Supply Chain ESG Management Strategy

Lotte Chilsung Beverage has business relationships with numerous partners. The Company pursues harmonious growth with its partners to meet customer needs and respond to the competitive environment. To this end, the Company strives to build a healthy corporate ecosystem by operating various supply chain management policies, such as establishing a roadmap for supply chain ESG management by period and supply chain ESG evaluation management.

### Supply Chain Management Roadmap

Recently, there has been a growing interest in unethical issues within the corporate supply chain and tightening regulations on safety and environmental accidents. Lotte Chilsung Beverage has established a roadmap for supply chain ESG management to diagnose and improve partner companies' risks and opportunities. This has improved the Company's supply chain management level, and Lotte Chilsung Beverage plans to expand its target partners further. Also, the Company is promoting various support policies for suppliers to develop themselves to become self-reliant.

#### Supply Chain Management Roadmap

##### 2022~2023

#### Establishment of supply chain ESG management system

- ESG diagnosis for target partners in 2022
- Operation of communication channels
- ESG diagnosis of 17 companies (2022)
- Re-evaluation and improvement activities (2023)
- Meeting with partners (held in Sep 2022, scheduled for 2023)
- Establishment of green purchase policy (under review)

##### 2024~2025

#### Expansion of supply chain ESG management

- Expansion of ESG evaluation of partners
- Reestablishment of support programs for partners
- Expansion of partners subject to ESG evaluation
- Reestablishment and operation of support programs for partners
- Reestablishment of human rights, industrial safety, etc.
- Reflection of ESG evaluation results when evaluating partners

##### 2025 onwards

#### Introduction of self-reliance support policy

- Operation of environmental impact reduction support policy for partner companies
- Implementation of greenhouse gas reduction support projects (renewable energy generation, introduction of energy efficiency facilities, etc.)
- Support for introduction of eco-friendly items
- Establishment and implementation of marketing support policies

### Code of Conduct for Partners

In 2022, Lotte Chilsung Beverage established the 'Code of Conduct for Partners' based on international norms and standards as well as legal requirements for partner companies to achieve social responsibility and continuous fulfillment. The Code of Conduct consists of matters that partner companies must comply with in six areas: environmental protection, respect for human rights, safety management, quality management, compliance/ethical management, and a business management system. Based on this, Lotte Chilsung Beverage goes through a verification stage when selecting a new partner company and manages supply chain risks through agreements and monitoring of compliance with the Code of Conduct for partners.

#### Highlights of the Code of Conduct for Partners

##### Environmental protection



- Compliance with laws/regulations
- Responding to the climate crisis
- Environmental impact review
- Water resource management
- Pollutant Management

##### Respect for human rights



- Non-discrimination
- Worker protection
- Compliance with labor laws
- Prohibition of forced labor

##### Safety management



- Compliance with Safety Laws
- Safety Diagnosis
- Establishment of management system
- Implementation of safety training

##### Quality management



- Compliance with quality regulations
- Quality improvement efforts
- Establishment of quality management system
- Implementation of quality training

##### Compliance/ethical management



- Prohibition of illegal profits
- Improving transparency in management
- Prevention of unfair trade
- Supply chain management
- Protection of privacy/intellectual property rights

##### Business management system



- Sustainable management
- Target setting
- Establishment of risk management system

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## Supply Chain ESG Assessment

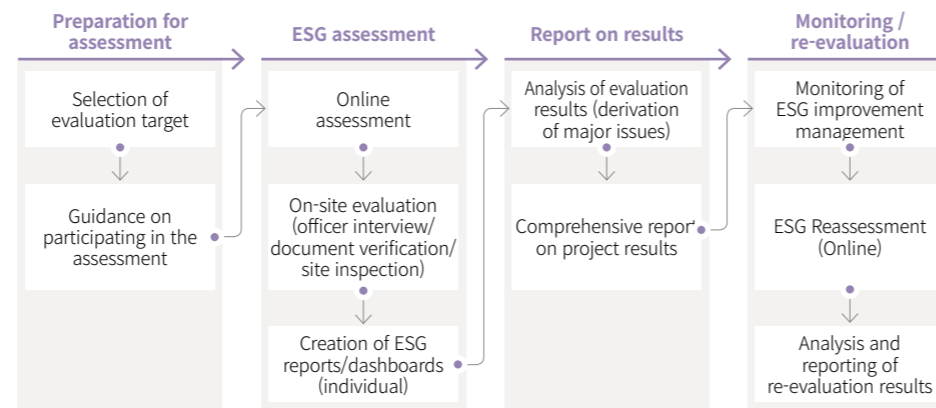
### Supply Chain ESG Assessment

Lotte Chilsung Beverage has conducted ESG assessments to identify potential ESG risks and the status of 17 partner companies from 2022 to establish a sustainable supply chain. The Company reorganized review items into GHG emissions, energy reduction, safety and health, human rights, and ethical management to develop an ESG-based assessment system. Lotte Chilsung Beverage identified areas for improvement after completing the supply chain ESG assessment through online and on-site diagnosis and plans to re-evaluate by monitoring the progress of improvement tasks.

### Supply Chain ESG Assessment Results - Comparison of 17 Company Levels Against the Industry Average in 2022

Classification	Environmental	Social	Governance
Excellent	water/wastewater, debris	Human rights/labor practices safety at the workplace	Ethical management
Average	Environmental management atmospheric emissions	-	-
Needs improvement	GHG packaging	Partner management	ESG information management board structure

### Supply Chain ESG Assessment Process



### ESG Win-Win Agreement Ceremony with Supply Chain Partners

In September 2022, Lotte Chilsung Beverage held an ESG win-win agreement ceremony with partners to expand ESG management and achieve sustainable mutual growth. As of 2022, there are 17 key partners, including two raw material suppliers, seven packaging materials suppliers, and eight merchandise suppliers. The Company introduced support activities and assessment programs for enhancing the ESG capabilities of partners and held a declaration and signing ceremony for an ESG win-win agreement. With this agreement, Lotte Chilsung Beverage will receive customized feedback from partners on the implementation status and improvement of each ESG indicator through an external evaluation agency in the future. The Company plans to gradually expand the management scope so that the level of ESG management activities can be raised by establishing a cooperative system and proactively responding to the possibility of risk events.



### Support for Partners

Lotte Chilsung Beverage contributes to partners' active investment and support to strengthen their competitiveness through training, financial, and equipment support.

#### Support for Partners to Secure Safety Equipment

Lotte Chilsung Beverage supports establishing stable equipment for partners to manufacture products safely. In 2022, KRW 160 million was provided for forklift safety equipment such as object recognition cameras. In addition, the Company is striving for the safe operation of its partners by expanding support for safety and health expenses in the beverage and liquor production sector, such as forklift cameras, safety shoes, and safety vests.

#### Financial Support for Partners

Lotte Chilsung Beverage provides financial support by creating a 'special fund for win-win cooperation' for partner companies to be funded without problem. The Company is working with IBK Industrial Bank of Korea to plan loan instruments that offer preferential loan interest rates to resolve its partners' financial difficulties.

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## Building a Human Rights Management System

Lotte Chilsung Beverage understands corporate roles and responsibilities as a human rights protector. The Company complies with international principles and guidelines, respects and protects the human rights of all stakeholders, including employees, and takes the lead in founding a human rights management system.

### Building a Human Rights Management System

Lotte Chilsung Beverage has set the human rights management objective of ‘realizing healthy and respectable corporate values’ and strives to spread a culture of respect for human rights. The Company internally introduces various human rights guarantee programs and procedures to practice pioneering human rights management and seeks to improve the organizational culture of mutual respect. Meanwhile, as for external human rights protection campaigns, the Company enhances the human rights awareness of diverse individuals and groups in our society and ensures practical human rights.



### Implementation of Human Rights Management System



Lotte Chilsung Beverage has established a management system that respects and protects the human rights of its employees and stakeholders. Expressing its commitment to abide by the Human Rights Guiding Principles, the Company joined the UNGC in 2021 and published the COP Implementation Report in May 2022. In June 2022, Lotte Chilsung Beverage set operating guideline details through the Human Rights Management Charter to fulfill social responsibilities externally and pursue a non-discrimination culture internally. In 2023, the Company assessed a human rights impact while actively reviewing ways to improve and mitigate the risks identified through the assessment and striving for human rights management. Lotte Chilsung Beverage continues with human rights education for its employees and intends to develop various human rights education content for imbuing the idea into employees.

#### Progress of human rights education

Education	No. of completion	Education progress
Social value realization and human rights management	5,057 persons	Online

\* For full-time employees

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## Human Rights Due Diligence

Lotte Chilsung Beverage conducts due diligence on human rights to identify, prevent and mitigate adverse human rights impacts from the business activities and share these efforts with stakeholders. The Company has designated a department dedicated to human rights due diligence within the ESG Department and, in April 2023, assessed human rights impacts by identifying and evaluating human rights risks.

### Direction of Lotte Chilsung Beverage's Human Rights Impact Assessment

Procedural validity	Inclusivity	Effectiveness	Equal opportunity and non-discrimination
<ul style="list-style-type: none"> <li>Independent/objective assessment via an external professional agency</li> <li>Investigation process involving relevant departments and internal experts</li> </ul>	<ul style="list-style-type: none"> <li>Application of UNGPs</li> <li>Reflection of human rights management standards and application recommendations of the National Human Rights Commission of Korea</li> <li>Application of the latest human rights issues</li> </ul>	<ul style="list-style-type: none"> <li>Focus on identifying actual and potential human rights violations</li> <li>Effectiveness of remedy procedure</li> </ul>	<ul style="list-style-type: none"> <li>Non-discrimination perspective for diverse members</li> <li>Active action perspective</li> </ul>

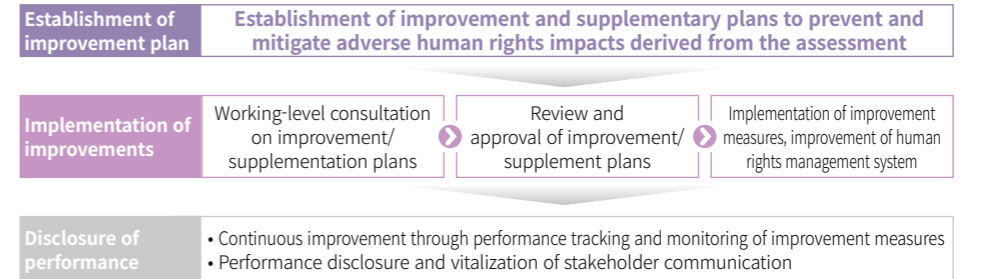
## Human Rights Violation Remedy Procedure

Lotte Chilsung Beverage is taking the lead in protecting victims of human rights violations and spreading a culture of respect for human rights by setting a human rights violation relief window to prevent and remedy the violations of internal and external stakeholders from business activities. Lotte Chilsung Beverage has established an outer grievance counseling channel in addition to internal reporting channels for employees to improve access to grievance counseling and provide an environment where grievance counseling can occur promptly. Also, the Company not only reduces the burden of reporting through anonymous/external counseling but also seeks appropriate and reasonable solutions through intensive counseling with experts and strives to protect the human rights of its employees.

## Reinforcement of Human Rights Due Diligence System

Based on the results of the human rights impact assessment, Lotte Chilsung Beverage seeks to enhance the effectiveness of its human rights policy and strengthen the human rights due diligence system by supplementing the procedure. In addition, the Company strives to imbue the idea of human rights into employees with high-quality training and to establish a system that can continuously monitor performance improvement through various communications with stakeholders.

### Results utilization system of Lotte Chilsung Beverage's human rights impact assessment in 2023



### Relief window (Lotte Chilsung Beverage homepage > Sustainable Management > Ethical Management > Cyber Report Center)

- Content of report** Consultation and reporting of human rights violations in accordance with the Company's management activities
- Target of report** Employees and stakeholders (supply chain, local residents, customers, etc.) related to business activities

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Lotte Chilsung Beverage



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**Increase in Employee Value**

Lotte Chilsung Beverage strives to create a corporate culture where all employees cooperate to develop greater value. For sustainable growth, labor and management work together to pursue a 'value creation culture' that makes three fundamental values: 'employee happiness,' 'corporate value,' and 'social value.'

**Value Creation Culture System**

Lotte Chilsung Beverage encourages positive relationships within the organization by collaborating between labor and management, thereby elevating efficiency and innovation. In addition, the Company pursues a value creation culture system that realizes mutual growth based on trust between stakeholders.



**Employee happiness creation**

Pursuing happiness through positive relationships with work, colleagues, and the organization

**Corporate value creation**

Creating tangible results based on efficiency and innovation

**Social value creation**

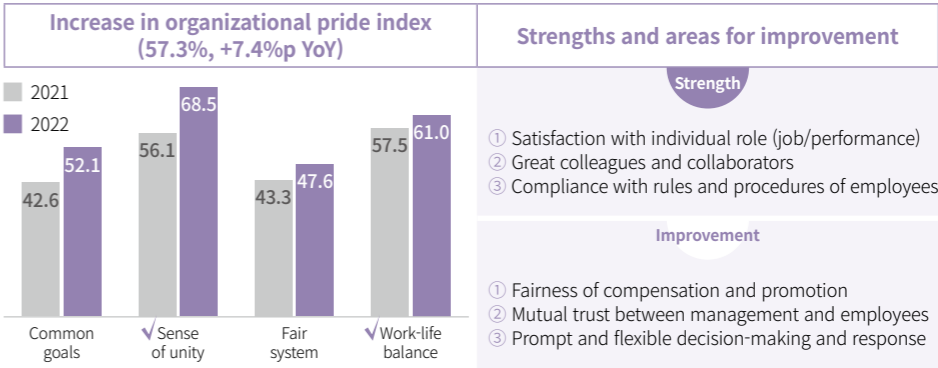
Realizing mutual growth with various stakeholders through compliance with social responsibilities

**Diagnosis of Value Creation Culture**

Lotte Chilsung Beverage conducts a value creation culture diagnosis to identify strengths and areas for improvement in the corporate culture. This survey was conducted for the core values of the Company, basic elements such as trust, cooperation, and diversity, practice elements of employee happiness and corporate/social value creation, the possibility of realizing the corporate culture orientation, and the result indicators of delivering the level of the value creation culture. Based on the results, the Company endeavors to identify employees' perceptions of corporate culture and find areas for improvement.

In 2022, a total of 1,576 employees participated in the survey. Employees' corporate pride indicators have surged on the back of stabilized organizational culture systems, such as the 'Organizational Culture Returns,' implemented in 2021. In particular, the positive response rate of members of the Millennials and Gen Z (in their 20s and 30s) rose remarkably, confirming their satisfaction with the system.

**Diagnosis of Value Creation Culture – Result of Organizational Culture Satisfaction Survey**





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**Good Corporate Culture for Working**

**Work & Life Balance**

The Work & Life Balance is becoming the standard for choosing a workplace for the Millennials and Gen Z. Lotte Chilsung Beverage is making various attempts to improve work-life balance, such as improving the working environment and welfare of its employees. The Company introduced a selective work system, flexible commuting scheme, and PC-OFF program to increase work efficiency and create a flexible working environment. Employees can enjoy leisure activities from 12:00 to 14:00, join competence-building programs through the ‘self-development lunch’ system, which applies an autonomous work system, and experience a slightly more leisurely weekend by taking advantage of the 2-hour early leave system on Fridays. Furthermore, the Company arranges activities to create a pleasant and healthy corporate culture, such as summer vacation events, family photo contests, and new product praise events.

**Management of a Performance-based Compensation System**

Lotte Chilsung Beverage manages a performance-based compensation system for the talent to demonstrate their capabilities. The Company pays performance-based bonuses to outstanding employees at different rates by operating a performance management evaluation process through individual performance registration and feedback procedures. Since 2022, the Company has adjusted the rating and method to evaluate it as a means of communication through performance management and has established a multi-faceted evaluations system, supplementing the leadership-driven personnel evaluation.

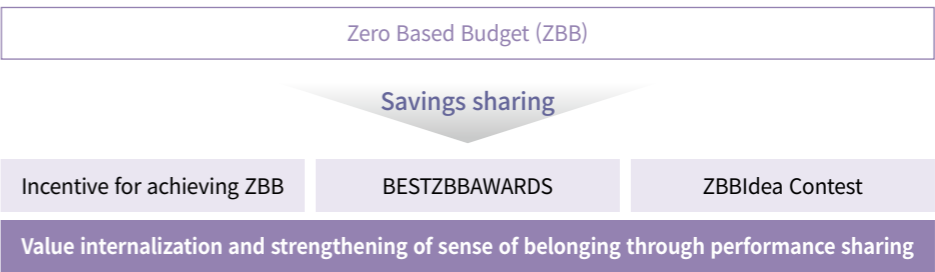


**Management of Junior Board (4th Term)**

Lotte Chilsung Beverage operates a Junior Board to communicate with employees and change corporate policies. In 2022, the Board led ESG-related activities, such as lunch box sharing and carbon reduction challenges, and drove an employee ESG internalization campaign. Also, the Board provided various communication opportunities through reverse mentoring and CEO Open Talk to establish a flexible corporate culture. In particular, Lotte Chilsung Beverage’s Junior Board in 2022 was selected as an excellent junior board within the Lotte Group and recognized for its achievements and efforts.

**Distribution of Employees’ Efforts and Contributions**

Lotte Chilsung Beverage actively shares improvements through the Zero Based Budget (ZBB) with its employees. Through the annual ZBB Idea Contest, the Company actively reflects employees’ opinions and shares the benefits by recognizing the efforts and contributions through incentives for all employees and the Best ZBB Awards.



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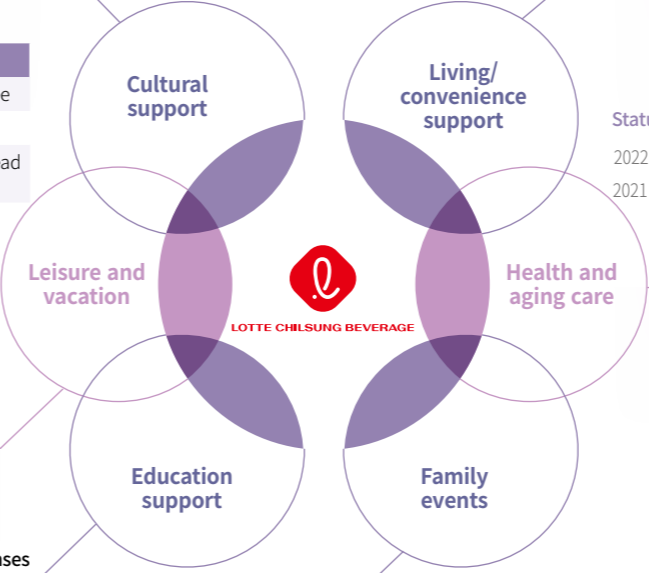
**Welfare and Benefit System**

Lotte Chilsung Beverage supports the systematic growth of all employees, including temporary workers, and supports various welfare programs to help all employees deliver performance and realize happiness. In addition to a subscription to a statutory welfare benefits system of four major insurances, such as health insurance, national pension, employment insurance, and workers' compensation insurance, the Company improves the quality of life of employees, enhancing their work satisfaction, and creating an environment where they can concentrate on their work through various welfare benefits, including in-house labor welfare fund, employee group injury insurance, and mutual aid service.

- In-house club operation**  
Satisfying the common needs of employees by managing various clubs
- Staff retreat, soccer match / Hanmaeum Convention, year-end party**
- In-house cafeteria**  
Work and rest in a flexible atmosphere

Classification	Drinks
Oct 2021-	Hired disabled baristas for coffee
Jan 2022-	Multi-use cup rental service
May 2022-	Expanded menu for tea and bread (Maman Gateau)



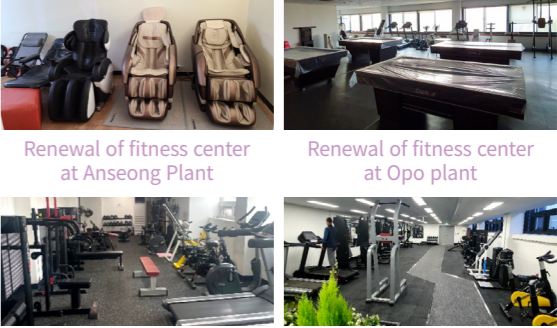


- Payment for company housing and relocation fees**
- Driver insurance and fuel cost support**
- Holiday/foundation anniversary gift**
- Expanded operation of the base office**  
Considering work & life balance of long-distance commuting employees

Status of use	Average	2022 (Jan-Dec)	2021 (Sep-Dec)
	Average 66.4 persons	797 persons	295 persons
	Average 73.8 persons		

- Operation of condominium** (company resort)
- Long-term service reward and vacation grant**
- Severance pay scheme**
- Optional welfare benefits**
- Sabbatical leave**
- Payment of home-returning travel expenses**

- Comprehensive health checkup**
- Fitness room renewal**
- Subscription to group insurance**
- Subsidies for the disabled people**



- Overseas training system**
- Support for childcare allowance**
- Graduate school support** (applicable for assistant manager level or higher)
- Support for educational expenses for children**
- Support for e-learning and job training expenses**

- Mutual aid service support**
- Financial support for family events**
- Improvement of wedding car support service**  
Enhancing the convenience and use of prospective married couples (Genesis G90 and similar rental cars)
- Vacation for family events**

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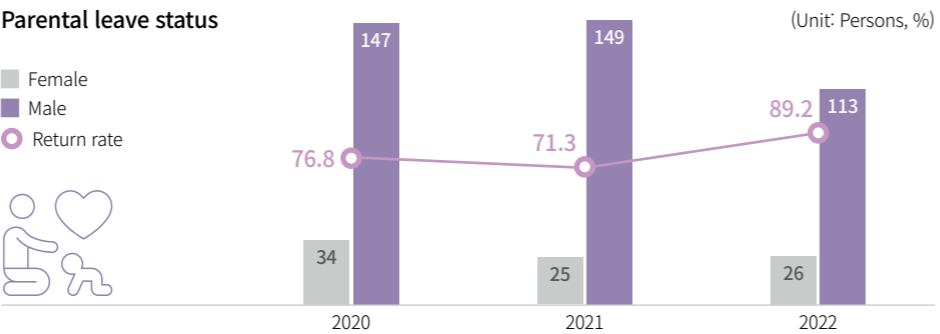
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**Family Friendly System**

Lotte Chilsung Beverage received a family-friendly certification from the Ministry of Gender Equality and Family in 2015 for creating a family-friendly culture and managing a family-friendly system in an exemplary way. Since the initial acquisition, the Company has continuously maintained family-friendly certification by extending in 2018 and re-certifying in 2020. The Company is preparing for re-certification in 2023 and is committed to ensuring that the family-friendly culture continues. Lotte Chilsung Beverage introduced a maternity protection leave system, such as subsidizing fertility treatment costs and mandating childcare leave, to prevent female talent from taking career breaks due to pregnancy, childbirth, and childcare. Also, the Company operates various family-friendly programs, such as leaving work early at 4 pm on Fridays for pregnant and child-caring staff.

Pregnancy	Childbirth	Childcare
<ul style="list-style-type: none"> <li>1 Subsidy for infertility treatment (KRW 3 million)</li> <li>2 Infertility treatment leave (male/female, 5 days)</li> <li>3 Reduced working hours for expectant mothers (during pregnancy)</li> <li>4 Happy Body Package for expectant mothers</li> <li>5 Support for fetus insurance</li> </ul>	<ul style="list-style-type: none"> <li>1 Birth celebration welfare points (300,000 points)</li> <li>2 Mandatory parental leave (up to 2 years)</li> <li>3 Mandatory parental leave for spouse (1 month)</li> </ul>	<ul style="list-style-type: none"> <li>1 Comfortable care for children entering school (1 hour reduced work in March)</li> <li>2 Mom's Food beverage (under 24 months)</li> <li>3 Leaving work early at 4 pm on Friday</li> </ul>



\* Reflected past data revisions due to the change in the return rate calculation formula

**Support System for Scheduled Retirement**

Lotte Chilsung Beverage provides paid leave for employees scheduled to retire to plan their careers after retirement systematically and support retirement preparations by introducing a job change support service to support lifelong career development in 2022. The job change support service consists of various contents necessary for a new challenge in life, such as career search and design, health management, and financial planning. 20 retired (scheduled) employees completed the training for a total of two days in 2022.

**Status of job transfer support service**

Classification	Detail
Trainees	20 prospective retirees
Date	November 28 - November 29, 2022 (2 days)
Venue	Lotte Group Training Center (Osan)
Content	Career search and design, health management, financial planning, etc.

In 2023, the Company plans to conduct various programs, such as updating educational content through a preliminary demand survey for trainees and inviting former experts to share their know-how.

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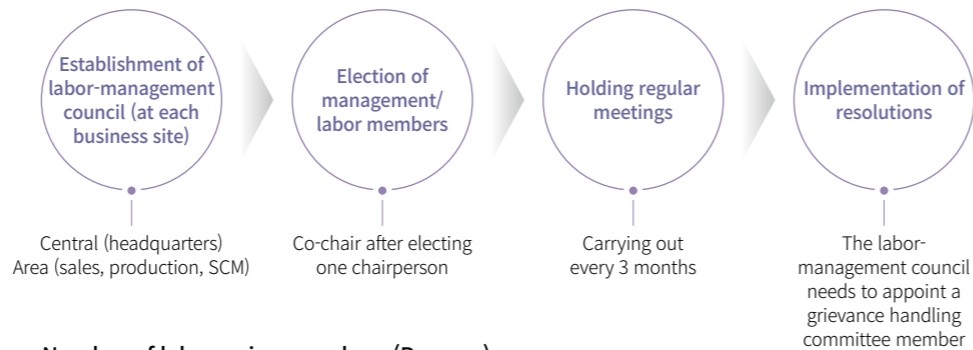
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### Labor-Management Council

Under the vision of a 'value-creating labor-management culture' based on trust and cooperation, Lotte Chilsung Beverage is creating a win-win labor-management culture. Since establishing the labor union in 1974, it has operated as a dispute-free workplace for 49 years. Lotte Chilsung Beverage has fostered labor-management relations based on trust and mutual respect and a developmental labor-management culture that promotes mutual growth. With the declaration of the labor-management culture vision in 2010 and the labor-management joint ESG management declaration in 2021, the Company has developed active harmony and consultation at every moment of crisis while respecting each other.

#### Labor-management council process



#### Number of labor union members (Persons)

Classification	2020	2021	2022
Beverage	2,035	2,102	2,178
Liquor	425	404	402
<b>Total</b>	<b>2,460</b>	<b>2,506</b>	<b>2,580</b>

\* Corrected data errors for 2020 and 2021.

### Labor-Management Joint Declaration and Awards

2010	Declaration of Labor-Management Culture Vision
2013	Declaration of Labor-Management Partnership, certification of Excellent Labor-Management Culture
2015	Declaration of Creative Labor-Management Culture (Value Creation Culture currently), certification of Excellent Family-Friendly Company (extended in 2018, re-certified in 2020)
2016	Selected as an Excellent Company for Gender Equality in Employment
2017	Labor-Management Culture Merit Award
2018	Labor-Management Culture Excellent Company and Labor-Management Culture Award
2021	Declaration of Labor-Management Joint ESG Management



### Communication Channel of Local Labor-Management Council

Lotte Chilsung Beverage manages a labor-management council at each business site. The labor-management council is run by dividing it into production, sales, and SCM departments and discusses and implements resolutions through regular meetings.



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## Labor-Management Cooperation Program

Lotte Chilsung Beverage organizes various labor-management cooperation programs to grow together to create an advanced labor-management culture. The Company strives to devise a developmental labor-management culture that thrives together via various training programs, workshops, and event support.

### Labor-Management Cooperation Promotion Program




Overseas training for outstanding employees in labor-management cooperation	Labor-management retreat and soccer match	Labor union delegates convention	Hanmaeum Convention and year-end party cost increase	Local labor-management council
Compensation for excellent employees and promotion of work motivation	Promoting unity of employees and family harmony	Sharing of general meeting resolutions and policy direction	Strengthening communication and boosting morale among members	Building cooperative labor-management relations through regional agenda handling
Annually (November-December 2022)	Annual retreat (October), soccer match (April) * Not conducted during COVID-19	February-March every year (held in February 2022)	May, December every year	Quarterly
123 outstanding employees (89 from Beverage, 34 from Liquor)	Staff retreat: 2,400 employees and their families Soccer match: 10 teams, 530 players	115 from Beverage, 36 from Liquor	Employees	Production, sales, SCM department manager, union member
				
Overseas training for outstanding employees	Staff retreat	Beverage Delegates Convention	Hanmaeum Convention	Local labor-management council
				
	Soccer match	Liquor Delegates Convention		Local labor-management council

# Human Rights Management

## Employee Engagement Program

Lotte Chilsung Beverage strives to increase employee value by organizing various employee engagement programs.

### Employee Engagement Program

Family Love Grand Feast	'Sky Run' Lotte World Tower Vertical Marathon	New Product Naming Contest	'Moving Snack Truck' at the sales site	Non-face-to-face Get-together
A relay commemorative event with the keyword 'family' in celebration of Family Month	Donation to Bobath Children's Hospital under Lotte Medical Foundation by holding the Lotte World Tower Vertical Marathon under the supervision of Lotte Corporation, with each participant accumulating KRW 10,000	Holding a new product naming contest to attract employee interest in new products and services	Strengthening and encouraging communication at sales sites	Reinforcing communication among employees under social distancing
Every May	Not held in 2021 and 2022 due to COVID-19 Re-launched in April 2023	Ongoing from January 2021	Every July and December	September 2021, January 2022
Employees	Lotte employees and families	Employees	Employees at sales sites	Employees
<p>Chilsung is taking care of your parents on your behalf. Letter + gift (worth KRW 400,000) delivered to parents (84 participants / 10-20 selected depending on the story)</p> <p>MyPetShow (Showing off my pets) Contest of pets as another family members (38 participants / pet supplies for prizes, coffee coupons (for all))</p> <p>Family Color Family-related free theme contest (33 participants / prizes: La Seine meal vouchers, Lotteria (for all), etc.)</p> <p>Family Photo Contest Kid photo show-off, old photos taken again (22 participants / 11 prizes worth KRW 100,000 including Lego)</p>	<p>KRW 10,000 per participant donated to Bobath Children's Hospital</p> 	<p>Smart Order Service Contest (January 2021) 34 beneficiaries</p> <p>Talent Development Institute Naming Contest (May 2021)</p> <p>Wine store naming contest (September 2021)</p> <p>Low-calorie beer naming contest (December 2021) 6 beneficiaries</p> <p>100% Korea-made beer naming contest (March 2023) 4 beneficiaries</p> <p>Gangneung Plant PR Center naming contest (March 2023) 4 beneficiaries</p>	<p>2021 sales site visit</p> <p>Jul   Gimbap, Garglin, etc. (3 beverage branches)</p> <p>Dec   Coffee truck operation (8 beverage branches, 3 liquor branches)</p> <p>2022 sales site visit</p> <p>Jul   Coffee truck operation (23 beverage branches, 5 liquor branches)</p> 	 <p>비대면 회식</p> <p>2021년 9월 (1차) 2022년 1월 (2차)</p> <p>코로나로 인한 소통단절 해결 노력</p>

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## Talent Management

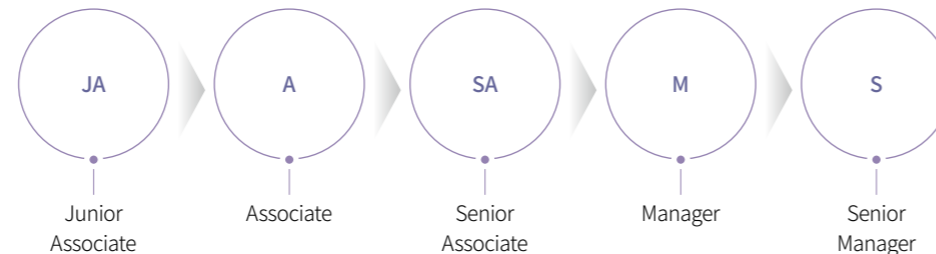
### Direction of Talent Management and Ideal Talent

Lotte Chilsung Beverage aims to nurture global talents who have the passion and responsibility to make our society more prosperous as well as their personal development and who place a higher value on the possibility of creating a better future together. Lotte Chilsung Beverage manages a talent policy to secure and nurture those who are not afraid of failure and take on challenges with passion, those who strive for mutual growth with an attitude of respect and consideration, and those who produce creative and innovative results.

### Ideal talent of Lotte Chilsung Beverage



### Grade system



## Talent Recruitment

### Ad-hoc recruitment

Lotte Chilsung Beverage is transforming its recruitment approach to meet the demand for digital transformation and advanced technology and to secure specialized talent to compete in the market. The Company has been abolishing the culture of open recruitment since the second half of 2020 and conducting ad-hoc recruitment to acquire the most suitable talent for each job and promote a transition to a flexible corporate culture. In 2022, the Company hired 326 employees through an ad-hoc recruitment system and placed them in positions that matched their capabilities and corporate needs.

### Recruitment of Experienced Professionals

Lotte Chilsung Beverage is hiring more professional technical personnel in DT, e-commerce, and marketing to respond quickly to the changes of the times. In hiring experienced professionals, the Company closely examines applicants by reviewing not only the applicant's professionalism but also their personality and values to check if they match Lotte Chilsung Beverage's ideal talent. Even after securing talent, the Company trains them to adapt to the corporate culture by internalizing core values and mentoring for the smooth adaptation of experienced professionals.

By rank			Department
SA	M	S	Coffee, E-Marketing, Media Contents, RDC Base Establishment TF, Logistics Network, Industrial Safety Team, DT Security, DT Analysis, Imported Beer, Wine BM Team
6 people	4 people	1 person	

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## Recruiting Talent Respecting Diversity

Lotte Group has made efforts to respect diversity in each affiliate as the first Korean enterprise to stipulate and proclaim the ‘Diversity Charter,’ which contains contents to respect and eliminate discrimination among members’ gender, culture, body, and generation in 2013. Lotte Chilsung Beverage implements various recruitment policies to create a flexible corporate culture where people with diverse backgrounds and values, including gender and nationality, come together.

Diversity Charter

**All Lotte employees embrace diversity, aim for an open and fair corporate culture in which anyone can become a leader according to their abilities, and provide products and services that are loved and trusted. As a result, we pledge as follows to create new social values demanded by the times.**

**We respect diversity between men and women.**  
We provide equal opportunities to men and women, actively support them to fully demonstrate their capabilities within the organization, and take the lead in implementing female-friendly systems, including childbirth and childcare.



**We respect physical diversity.**  
We fulfill our social responsibility to embrace physical differences due to congenital and acquired disabilities and provide optimal working conditions for them to develop their unique abilities and feel a sense of achievement by contributing to the organization and society.



01

03

**We respect cultural diversity.**  
We take the lead in securing and nurturing diverse talents who will lead global businesses beyond nationality and race and do our best to create an open corporate culture for them to demonstrate their capabilities within the organization.



**We respect intergenerational diversity.**  
We strive to realize a corporate culture of communication and harmony in which members can freely express their opinions and act regardless of rank or age.



## Lotte Diversity Forum in 2022

The Lotte Group is expanding the scope of the Lotte WOW (Way of Woman) Forum, which focuses on recruiting and nurturing female talent, into a ‘Diversity Forum’ to broaden topics beyond gender to include generations, disabilities, and global areas and to spread a culture of diversity. Based on the slogan of ‘the Power of Diversity - For New and Better,’ the Diversity Forum in 2022 contained a message to shift the concept of diversity from a caring perspective to a future growth perspective, with the logo embodying diversity, such as global, gender, generation, and disability, blooming like a flower. In the forum, with lectures from external speakers and employee relay speeches, people learned lessons from experiencing generational differences. Employees of different positions, genders, and nationalities had a discussion time looking back on the 10-year path of fostering female talent. Also, to encourage female talent, the Company proposes four strategic directions: enhancing the will to nurture female talent, developing female talent leadership and eliminating bias, improving the effectiveness of the support system, and raising group-wide awareness of diversity to promote qualitative growth in female talent development from a mid to long-term perspective.





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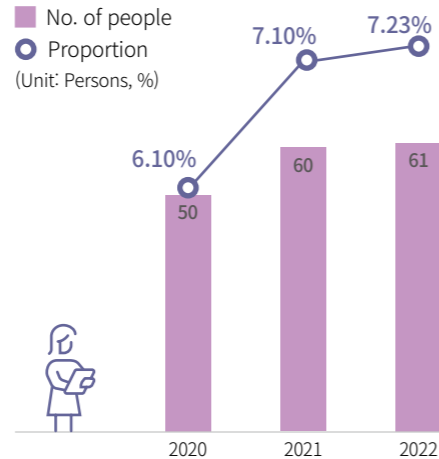
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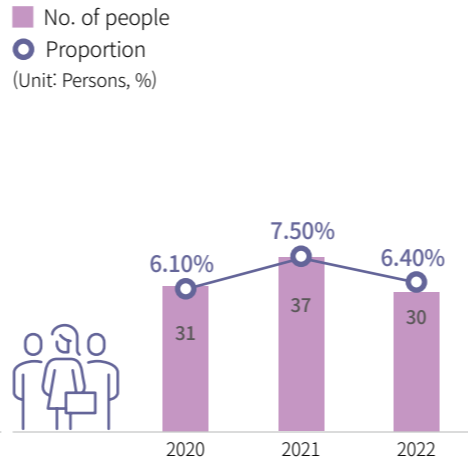
### Female Talent

Lotte Chilsung Beverage is continuously increasing the number of female talents per its talent management policy that respects diversity. The Company is expanding the balance of female recruits through the additive scoring system for gender equality for document screening. As a result of these female talent development policies, the proportion of female officers and female managers is on the rise. The Company is creating an open corporate culture where female employees can freely demonstrate their capabilities and grow into outstanding talents.

#### Female talent in managerial position or above



#### Female talent among managers



### Diversity of Members

Lotte Chilsung Beverage not only supports the social independence of people with disabilities by providing stable jobs but also supports job competency for socially marginalized groups. Lotte Chilsung Beverage goes beyond simply hiring the underprivileged and builds a win-win and cooperative relationship where the Company can enjoy mutual growth by discovering talents that fit the features of the business. As part of this, the Company launched Green With, a subsidiary-type standard workplace for disabled people in 2021, and hired 17 people with disabilities, including those with severe disabilities, to operate an in-house welfare cafe on the 4th floor of the headquarters and a laundry in the Gangneung Plant. In 2022 and 2023, the Company additionally opened a laundry in the Gunsan Plant to expand the employment of eight disabled people and continuously support their social life and independence. Also, to keep the honorable life of veterans' families, the Company preferentially employs national veterans through an additive scoring system for employment amid the rising number of national veterans' employees.

#### Recruitment status of Green With (persons)



Classification	2021	2022	Remark
Seoul Plant	7	7	
Gangneung Plant	10	12	Including 1 team leader (non-disabled person)
Gunsan Plant	-	8	
Total	17	27	

#### Employment of persons with disabilities (persons)

Classification	2020	2021	2022
Employment of disabled persons (mandatory)	144(182)	170(178)	185(181)
Hiring rate	2.47%	2.94%	3.57%

#### Employment for persons entitled to veterans (persons)

Classification	2020	2021	2022
Employment order	1	2	3
Additive scoring employment	-	1	1
Employment without support	-	-	-

\* Based on Mandatory Employment Performance Report by the Korea Employment Agency for Persons with Disabilities

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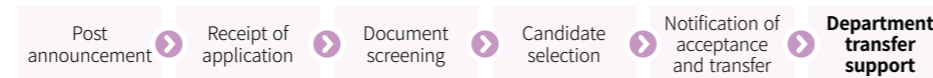
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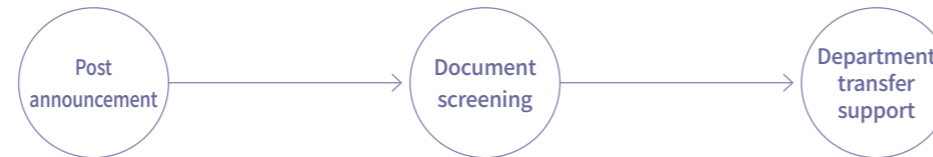
### In-house Personnel Transfer

Lotte Chilsung Beverage manages an in-house open recruitment system and an integrated career management platform within the Group to minimize work vacancies and secure suitable talent for each role from active employee rotation and immediate recruitment of internal talent. Lotte Chilsung Beverage has been managing 'Job Posting,' an in-house open recruitment system since 2017. The Company accepts applications from people who wish for job transfers and recruits vacancies through in-house recruitment postings, securing efficiency in HR management by providing opportunities to the internal workforce while providing opportunities for self-directed career development. Also, by operating 'IN Career,' an integrated career management platform within the Group, the Company selects talents with internally proven capabilities to respond to new business opportunities out of Lotte affiliates and business structure transformation.

#### Job Posting Operation Process



#### IN Career Operation Process



#### Announcement of in-house personnel transfers and number of transfers

Classification	No. of announcement	No. of transfers
Job Posting	14	6
IN Career	4	1

### Talent Development Program

#### Talent Development Training

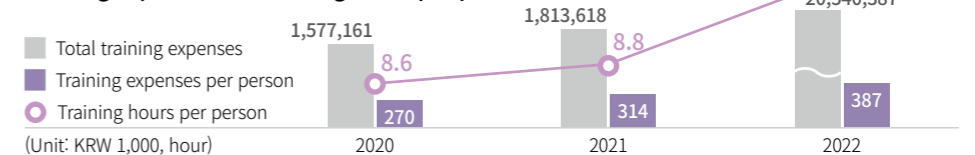
In a rapidly changing business environment, competent talent is a critical element for sustainable management. Lotte Chilsung Beverage organizes programs for all employees, including contract workers, to cultivate them to deliver innovative results by working with passion and mutual respect.

#### Key Educational Achievements in 2022

Lotte Chilsung Beverage offers a customized education program during a lunch break for competence building. The Company identifies the required competencies and demands of its members and utilizes customized in-house experts to strategically reflect them in fostering talent.

No	Summary	Educational purpose	Subject (person)
1	Competence Building Wine Sommelier Qualification Course	Theory and practice for qualification as a wine sommelier	40
2	Competence Building Report on My Mind	Individually bound book on detailed explanations of major psychological codes and diagnosis results of each individual	54
3	Competence Building Photoshop	Basic functions and key features of Photoshop and tips for color correction, compositing, and editing	13
4	Competence Building Tableau	Basic training on the visualization tool (Tableau) to develop data literacy skills	16
5	Competence Building MBTI for Real	Recognizing the personality type by identifying dispositions and behavioral tendencies through certified personality tests	45
6	Competence Building Healing Meditation	Stress management through meditation	8
7	Competence Building English Conversation Group Class	English conversation class	18

#### Training expenses and training hours per person



(Unit: KRW 1,000, hour)

\* Face-to-face training revitalized after the end of COVID-19

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### 2023 Training Plan

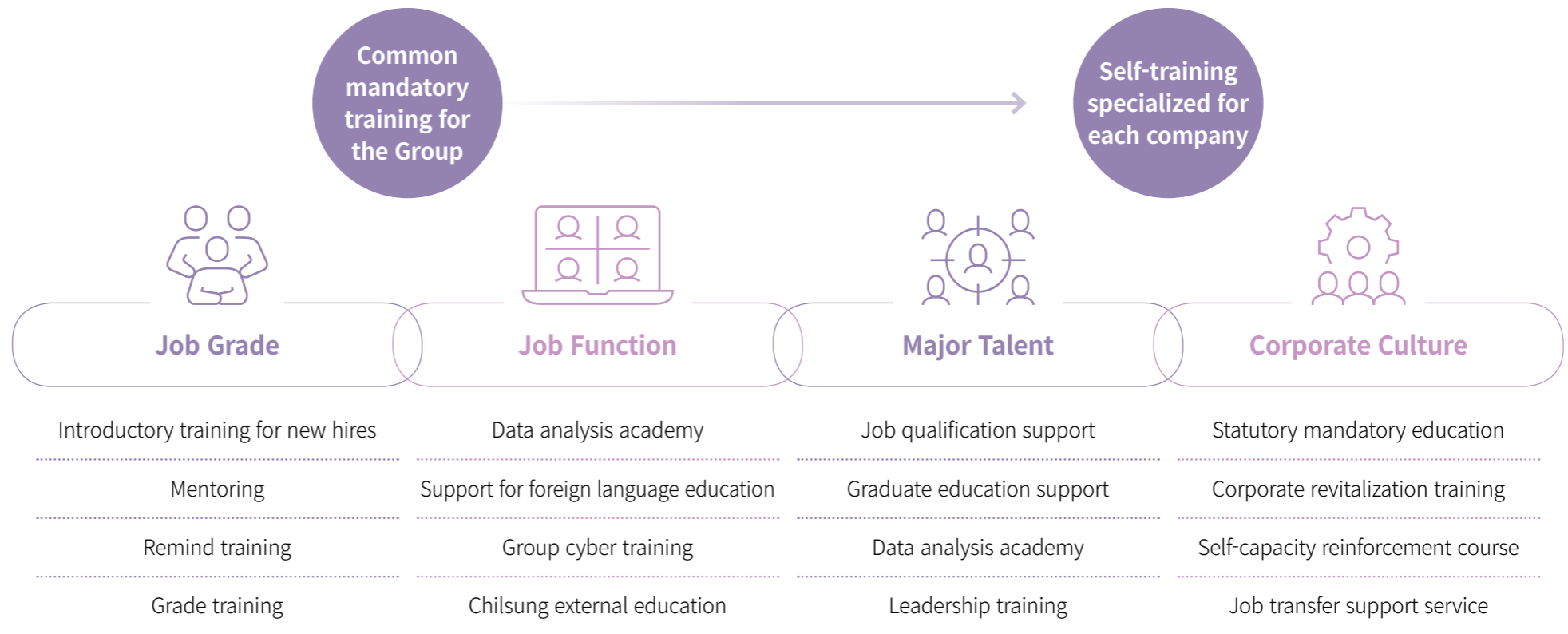
In addition to compulsory training, Lotte Chilsung Beverage organizes various training programs such as in-house ESG training, leadership training, and job-specific training to nurture talent.

Classification	Program	Purpose	Subject
ESG Training	Four major legally compulsory education and workplace harassment prevention	To eliminate safety accidents and legal risks for workers and companies	All employees
	Compliance (anti-corruption)	Awareness of fair trade and anti-corruption laws	
	ESG human rights education	Human rights management and realization of social values	
	Training for revitalization of the production divisions	To create a sound corporate culture through communication learning based on respect and trust	
Leadership training	Leadership training for field managers and part heads	To strengthen corporate management capability and change acceptance by reorganizing manager R&R	241 people
	Consensus on performance management through dialogue	Shaping and strengthening leadership	All managers
	Evaluator training	To enhance developmental feedback capacity	All managers
Job-specific training	Data analysis	To build decision-making system based on academy data	46 pre-selected
	Wine class	To understand the domestic and international wine market	All employees
	2023 Food Trend Special Lecture	To check F&B consumption trends in the post-COVID-19 era and derive strategic insights	104 people
	Liquor Sales Divisions Brand PR Center Experience	To improve employee brand awareness through experiences at the Chum-Churum & SAERO PR Center	827 people
	Wine section customer service training	To enhance customer service capabilities of department store salespersons in the wine section	70 department store employees
Competence Building	Competence Building English Conversation Group Class	Courses expanded to include English, Japanese, and Chinese.	24 people
	BI/BO special lecture	To specialize programs frequently used in the field	18 people
	Cocktail class	Cocktail recipe using Lotte products	20 people
On-boarding Course	Mentoring for experienced professionals	To promote emotional care and performance creation	13 experienced workers

# Talent Management

## Overall Education System of Lotte Chilsung Beverage

Lotte Chilsung Beverage aims to secure future growth engines and lead change by creating a diverse learning environment where employees can achieve self-directed development. While previous talent development programs used to focus on common and essential education across all affiliates within the Lotte Group, currently, each affiliate organizes an education framework based on a talent development strategy tailored to specific features and establishes an education system for leadership/experience/competence based on the characteristics of each track, thereby supporting self-directed learning of its members. Also, the Company manages standard career development maps and learning maps catered for each job group.



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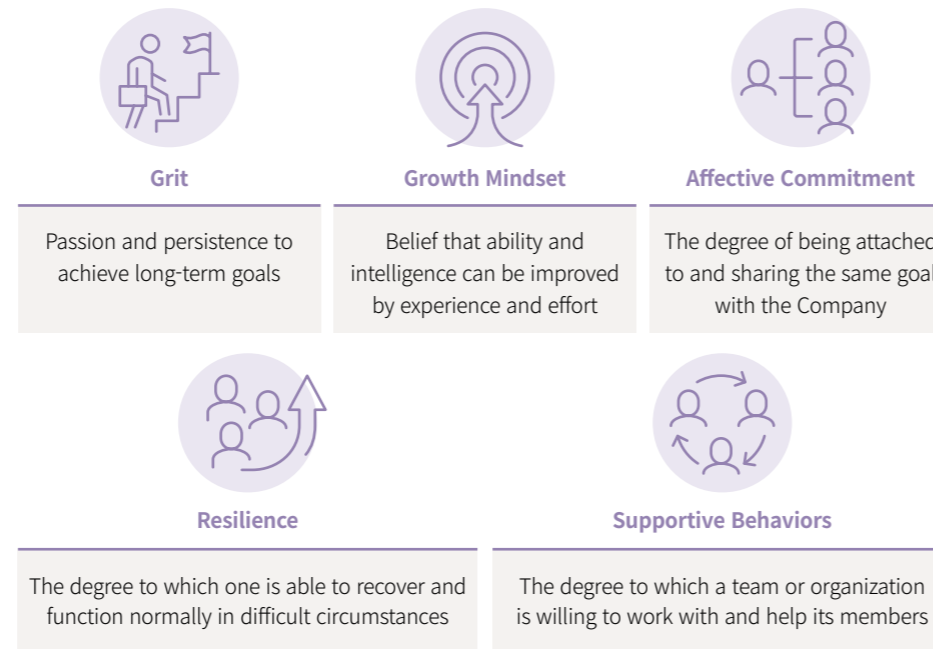
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## Winning Spirit

Lotte Chilsung Beverage encourages all employees to become independent and enterprising by internalizing the winning spirit, the will to share with the Company's values and to bring out the best results by exerting their capabilities to the fullest. To imbue the winning spirit, the Company established the 'winning rule' for employees and created a working environment based on this.

### Winning Spirit Composition Concept



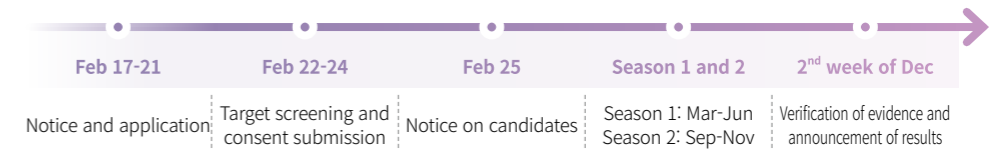
## Winning Culture

Lotte Chilsung Beverage manages various programs to create a corporate culture that is not afraid of failure and constantly takes on new challenges. As Lotte's representative awards ceremony since 2021, the Lotte Awards selects teams that have delivered outstanding results through relentless challenges.

At the Lotte Awards 2022, the Carbonated Beverage Team of the CM1 team in the Beverage Marketing Department won the grand prize for the 'Chilsung Cider Zero' product. By launching Zero Cider, which embodies the taste of the original cider, they brought about a major change in the carbonated soft drink market, which was dominated by Coke Zero, and was recognized for diversifying product portfolios and improving consumer health. In addition, at the Lotte Awards in May 2023, Soju BM's 'SAERO' won the grand prize, achieving the feat of winning for three consecutive years at the Lotte Awards since 'ICIS Label-free Mineral Water' in 2021.

In addition, the 'Challenger-Achiever Fund' is managed with the Company's subsidy on top of employee participation and donates the incentive for achieving the goal set by themselves, under the individual's name. The fund was carried out twice, one in the first half of 2022 as an ESG fund and the other in the second half as a Self-Development Fund and donated the total incentives amounting to KRW 20 million, or around KRW 170,000 per person.

Season 1   ESG Fund (Mar-May)		Season 2   Self-Development Fund (Sep-Nov)	
Be Brave Challenge	20 times of multi-use container packaging within the period	3-month challenge	Daily certifications such as exercising and Miracle Morning
Volunteer activity	8 hours of volunteer work (including blood donation)	Diet	5% weight loss compared to last year's health checkup
Clean hiking	Picking up trash while climbing mountains	Quitting smoking	Nicotine test once a month
Others	Setting goals that fit the fund's purposes	Others	Setting goals that fit the fund's purposes



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## In-house Venture Program

Since 2018, Lotte Chilsung Beverage's in-house venture program has been a talent training program to seize new business opportunities and discover new growth engines in a changing environment. The Company provides business promotion funds, independent office space, and regular mentoring, including salary, for one year to employees selected as an in-house venture. In addition, if the venture is to be spun off as a separate entity according to the will of the employee, the Company guarantees management independence of the entity and re-hiring of the employee within five years if the person intends to return, providing an environment in which the employee can take on a bold challenge.

### In-house venture operation process



### Details of in-house venture programs

Classification	1 <sup>st</sup> term (2018)	2 <sup>nd</sup> term (2019)	3 <sup>rd</sup> term (2020)	4 <sup>th</sup> term (2021)	5 <sup>th</sup> term (2022)
No. of applications	12	6	23	11	20
Selected idea	Mobile gas service FUEL-UP	Wise Price Man with Carbon	Project Ganda Worker's High	My Tab Wine Hiker	RTD Liquor B2B Service Beer By-products upcycling
Remark	-	-	Worker's High established	-	-

## Major Benefits of the In-House Venture Program

Payment of prize money	Expense support	Guarantee of autonomy	Workforce support	Investment and reward
KRW 10 million (1stplace)	Payment of wages and operating expenses (meals, etc.) at the same level as before	Working in an outer independent space Freedom of commuting	Addition of 1 team member aside from the founder	Minimum initial investment of KRW 20 million at a spin-off

As the winner of the third Chilsung in-house venture, Worker's High had an office minibar business idea and was spun off as an independent entity in May 2021. Office Minibar is a service selling food and consumer goods by configuring a customized shelf for the office environment based on the Internet of Things (IoT). Worker's High provides differentiated services to leading companies at home and abroad, such as conglomerates, luxury hotels, and co-working spaces, with over a 1,000% increase in purchases and cumulative members in just two years after the spin-off. For being recognized for business feasibility, the venture succeeds in actively attracting investment while pioneering the space retail market. There were two winners in the fifth in-house venture program in 2022: 'Bespoke RTD Liquor B2B Service' and 'Low Carbohydrate High Dietary Fiber Granola Upcycled by Beer By-products,' preparing to enter a new business currently. The Bespoke RTD Liquor B2B service provides an excellent beer made of domestic agricultural products, differentiated from existing beers with various tastes, price competitiveness, and online delivery. Low-carbohydrate, high-dietary fiber granola made by upcycling beer by-products improves the dietary fiber intake of modern people, utilizing discarded beer waste by-products.



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## Brand Committee

### Brand Committee

Lotte Chilsung Beverage strives to create a ‘consumer brand of the ages’ and fulfills its corporate responsibility in the marketing process. To this end, the ‘Brand Committee,’ chaired by the CEO, determines brand policies such as new product planning and development, product operation and marketing plans, and consumer response reports. In addition, in 2022, the Brand Committee discussed 17 agendas and received three brand-related awards in the beverage category and 11 in the liquor category.

### Brand Committee Operating System



### Brand Committee Agenda in 2022

Month	Agenda Type	No. of cases
Jan	• Product strategy and planning	3
Mar	• Product strategy and planning • In-house communication broadcasting plan	3
Jul	• Product strategy and planning • Product marketing performance report	3
Aug	• Product strategy and planning • Chilsung Mall operationstatus	2
Oct	• Chilsung Mall operationplan • Report on external activities	2
Nov	• Product strategy and planning • Marketing results and plans	4

### Awards for Brands in 2022

Classification	Awards	Awarding agency	Detail
Beverage	Juice category of Korea Brand Power Index (K-BPI)	KMAC	Del Monte Juice, ranked No.1 for 24 consecutive years
	Design category of the Red Dot Design Award	German 'Red Dot Award'	Design awards for Tams Zero, Chum-Churum Honey, Chilsung Cyder mini bottle
	Package design category of the Excellent Design Award	Ministry of Trade, Industry and Energy	Design awards for Chilsung Cider Plus, Trevi Plus, and Tams Zero
Liquor	Whiskey blended premium category	Korea Liquor Awards	Scotch Blue awarded grand prize in the international blended premium (12-17 years old) category
	Whiskey single malt premium category	Korea Liquor Awards	Glen Goyne awarded grand prize in the 12 single malt premium (12-17 years old) category
	2022 Korea Liquor Awards Beer - General - Lager Category	Chosun Biz	Kloud Draft
	Beer - Special or regional beers category	Monde Selection (Belgium)	Kloud Original: Gold
	Beer - Special or regional beers category	Monde Selection (Belgium)	Klodu Draft: Gold
	Beer - International Style Pilsner category	Australian International BeerAwards (AIBA, Australia)	Kloud Original: Gold
	Beer - American-Style Lager category	Australian International BeerAwards	KloduDraft: Gold
	Beer - Classic Pilsner category	World Beer Awards (WBA, UK)	Kloud Original: Country winner
	Beer - International Lager category	World Beer Awards (WBA, UK)	Kloud Draft: (Country) Silver
	Beer - American Lager category	Asia Beer Championship (ABC, Singapore)	Kloud Draft: Chairman's Selection
	Beer - Pilsners category	International Beer Challenge (IBC, UK)	Kloud Original: Silver

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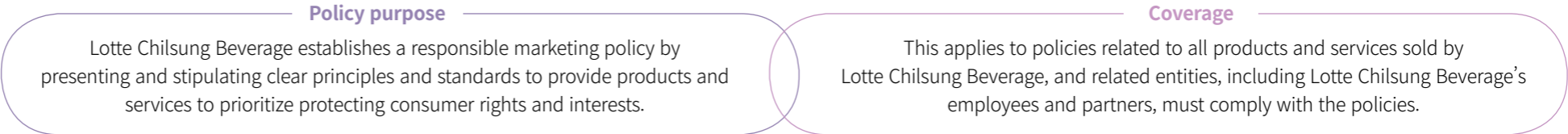
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**Responsible Marketing**

Lotte Chilsung Beverage presents and stipulates clear principles and standards to provide products and services that prioritize protecting consumer rights and interests, establishes responsible marketing policies, and promotes its unique brand strategy. Based on this promotion strategy, The Company plans to implement responsible marketing policies, such as strictly complying with laws and regulations related to beverages and liquors (including the Food Sanitation Act, Liquor Tax Act, and Drinking Water Management Act), providing consumers with product information that conforms to applicable laws and adjusting the transmission time for advertisements in consideration of audience age.



**Advertising policy**

<p><b>Compliance with relevant laws and regulations</b></p> <p>We comply with the broadcast advertisement review regulations and other relevant laws and conduct advertising activities responsibly with legal and fair content.</p>	<p><b>Delivery of clear information</b></p> <p>Based on honest and factual information without exaggeration, we deliver information that consumers can trust and choose based on the right standards.</p>
<p>01   02</p> <p>03   04</p>	
<p><b>Responsible advertising</b></p> <p>Recognizing the effect that advertising can have on consumers, we strive to realize social values with a sense of responsibility as an influential company.</p>	<p><b>Choosing the right channel and time</b></p> <p>We deliver advertisements through appropriate channels and time, considering customers' interests, preferences, and targets, and aim for reasonable and efficient advertisement effects.</p>

**Marketing policy**

<p><b>Protection of consumer rights and interests</b></p> <p>We strive to actively collect and reflect consumers' opinions, ensure reasonable choices and basic rights, and implement consumer-oriented policies.</p>	<p><b>Fulfillment of corporate obligations</b></p> <p>We create responsible products and services and realize marketing policies connected to consumer satisfaction and utility.</p>
<p>01   02</p> <p>03   04</p>	
<p><b>Social contribution</b></p> <p>We do not stop at selling products but create a foundation to contribute to society and actively implement it through various programs.</p>	<p><b>Establishment of internal control procedures</b></p> <p>We create and implement high-level marketing policies through ongoing and internally well-understood monitoring and feedback so they do not remain as one-time policies..</p>



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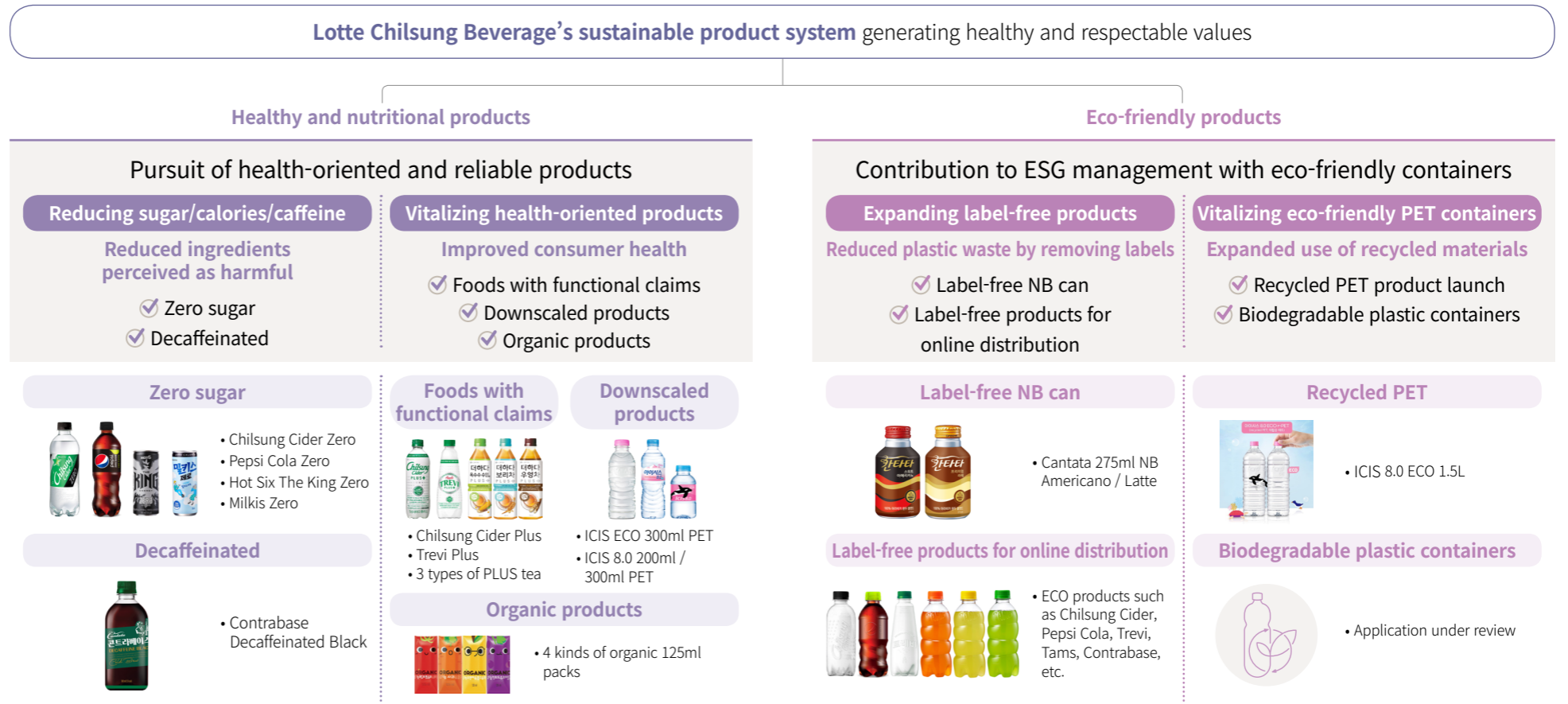
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## Sustainable Product System

Lotte Chilsung Beverage is committed to providing consumers with healthy and resource-circular products. The Company runs a sustainable product system contributing to ESG management by executing health-oriented eco-friendly policies, such as reducing the content of caffeine, sugar, and calories and expanding the range of label-free products. Based on this system, the Company intends to build a sustainable society by developing 'sustainable products of Lotte Chilsung Beverage' benefitting society.



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## Customer Satisfaction and Customer-Oriented Management

### Customer Satisfaction

Lotte Chilsung Beverage was selected as the one and only No. 1 company in the beverage sector for ten consecutive years in the NCSI (National Customer Satisfaction Index) in 2022. Lotte Chilsung Beverage received high marks regarding customer satisfaction, level of expectation, perceived quality, perceived value, and loyalty. The Company is highly rated in customer satisfaction by leading beverage trends as well as providing consumers with reliable products.



### Operation of Consumer Communication Channels

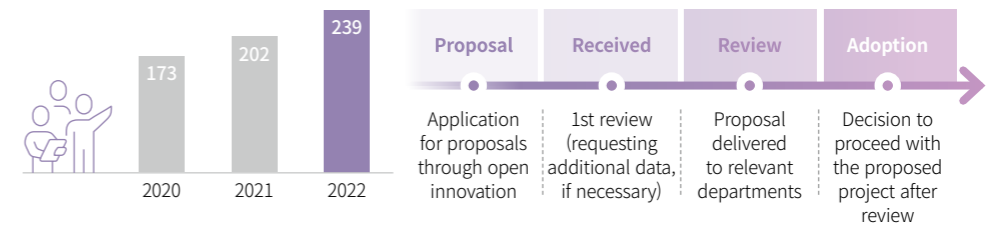
Lotte Chilsung Beverage manages various channels, such as the website and social media, to maintain direct and prompt communication with consumers and differentiate product and service quality.

### Status of consumer communication channels

### Open Innovation

Through active consumer communication, Lotte Chilsung Beverage is implementing open innovation for mutual growth. Open innovation is a consumer participatory proposal platform on the Company's website, which adopts ideas through the process of proposal, acceptance, and review. A total of 239 ideas were proposed in 2022, of which eight were adopted. The Company not only accepts consumer requests but also enhances communication to promote creative projects. In particular, the 'Cantata Black Sesame Café Latte' was developed to commercialize in April 2023 as the winner of the 'Beverage School,' a consumer participation-type beverage development project.

### Number of Open Innovation proposals Proposal process for Open Innovation



### Open Innovation adoption history in 2022

No.	Date	Type	Title	Applicant	Name	Relevant Dept
1	05/31	Marketing	Kids program PPL proposal	Corporate	Blue Moon Media	Fermentation health manager
2	06/14	Marketing	In-kind sponsorship request for Watchashort-form content production	Group	Soong sil University	Beverage marketing dept
3	06/22	Marketing	Proposal for outdoor billboard advertisement in Hongik University Station	Corporate	Dooyoung Media	Global Sales Division
4	07/06	Marketing	PR and partnership proposal for Jeju EDM Festival	Corporate	COLLEXX Co., Ltd.	Equipment vehicle manager
5	07/11	CSR	Cooperation on the large enterprise-startup open innovation program	Corporate	Seoul Business Agency	Beverage marketing dept
6	07/13	Claim	Misspelling for Let's Be Coffee	Individual	-	Beverage marketing dept
7	07/14	Marketing	Request for in-kind sponsorship for the 2022 Han River Festival	Corporate	Golden Blue Mariana	Beverage brand strategy
8	12/09	Product	Request for production of 'Gaehang-ro Beer', representative local beer of Incheon Beer	기업	Incheon Beer Caligari Brewing	Craft/Imported Beer manager

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**Food Safety Management**

**Food Safety Management System**

Lotte Chilsung Beverage has established a food safety management policy to provide customers with healthy beverages and safe quality services. Starting in 2000, Lotte Chilsung Beverage introduced HACCP, a food safety management certification standard, for the first time in the beverage industry and was certified in all workplaces, systematically and intensively managing food hygiene. Never stopping there, the Company introduced FSSC 22000 (Food Safety Management System), a food safety standard approved by the Global Food Safety Initiative, and acquired certification for beverages in 2014 and liquors in 2017 for all business sites. The Company conducts certification renewal audits every three years, manages hazardous elements through annual follow-up audits, and goes through a periodic inspection process by relevant departments to produce safe, high-quality products.

**Food Safety Management Policy**

Lotte Chilsung Beverage establishes the food safety management policy as follows to provide consumers with delicious and safe products and services of the highest quality to create a healthy and pleasant life by giving pleasure through beverages.

1. We establish a food safety management system based on international standard management systems (FSSC 22000, HACCP).
2. We adhere to the customer-first principle and create demand by supplying products that prioritize customer satisfaction.
3. We take necessary measures to ensure safety from the planning, development, and design stages to production, logistics, sales, and service.
4. In addition to complying with internal and external laws and regulations to ensure product safety, we always aim for greater safety.
5. We publicize and enlighten product safety education, proper management, and prevention of misuse/drinking, and listen to consumer opinions.

This policy is evaluated through regular management review to its conformity with the Company's business purpose, is revised by the CEO, and is publicized internally and externally through the website. The Company implements and maintains a food safety system to secure "safety," "taste," and "service" to realize a reliable corporate culture for consumers with relentless improvement efforts.

**Number of food safety certified workplaces**

Certification	2020	2021	2022
HACCP	12 (Beverage 6, liquor 6)	11 (Beverage 6, liquor 5)	10 (Beverage 5, liquor 5)
FSSC 22000	12 (Beverage 6, liquor 6)	10 (Beverage 5, liquor 5)	10 (Beverage 5, liquor 5)
Children's favorite foods	2 (Opo, Yangsan Plant)	2 (Opo, Yangsan Plant)	1 (Opo plant)
Organic Processing Certification	1 (Opo plant)	1 (Opo plant)	1 (Opo plant)

**HACCP Certification**

The company establishes and manages an organized hygiene management system for each stage of production, storage, and distribution.



**HA**  
Hazard Analysis

Analysis of biological, chemical, and physical hazards such as pathogenic microorganisms in raw materials and processes

**CCP**  
Critical Control Point

Focused management on processes or phases that can prevent, control, or reduce hazards to acceptable levels

식품안전관리인증  
**HACCP**  
식품안전관리인증

**Children's Favorite Food Quality Certification**

Organic Red Beet & Pear & Tomato, Apple & Carrot, Orange & Mango & Pumpkin, Red Grape & Purple Carrot




어린이 기호식품  
**품질인증**  
식품의약품안전처

**FSSC 22000 Certification**

To ensure food safety at the point of consumption, we manage food safety hazards at each stage, including raw materials, production, manufacturing, processing, preservation, and distribution.




**Organic Processing Certification**

**Organic** Red Beet & Pear & Tomato, Apple & Carrot, Orange & Mango & Pumpkin, Red Grape & Purple Carrot  
**Fruit Water** Apple & Pear, Fruit Water Peach & Prune




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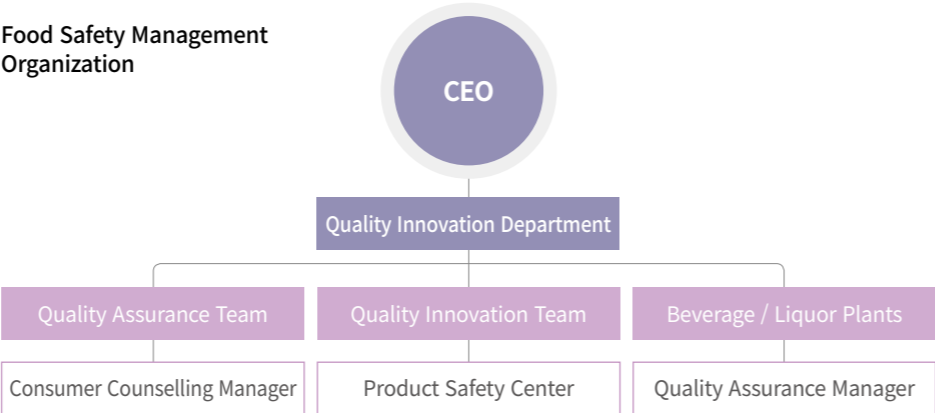
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**Quality Control System**

**Food Safety Management Organization and Control System**

Lotte Chilsung Beverage operates a food safety management system through all stages of production, manufacturing, processing, preservation, and distribution of raw materials. Based on the food safety/environmental objectives and execution plan management guidelines, Lotte Chilsung Beverage organizes the Quality Innovation Department under the direct control of the CEO to secure quality safety and advance the level of control. To realize healthy and respectable corporate values, the Company plans to carry out five key tasks: improving quality crisis response, reducing consumer complaints, eco-friendly response, food/environment/safety response, and brewing technology improvement.

**Food Safety Management Organization**



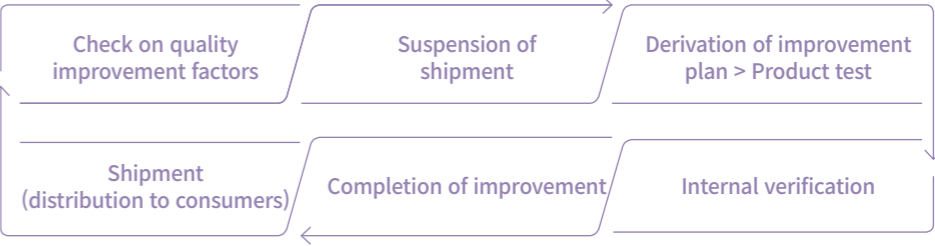
**Mid- to long-term strategic tasks for Quality Innovation Department**

2025 Target	Consumer complaint rate 1.0ppm, ZBB 3.83 billion (2023)		
Five key tasks	Improving quality crisis response	Reducing consumer complaints	Eco-friendly response
	Food/environment/safety response	Brewing technology improvement	

**Status of Product Safety Management System and Quality Education**

Lotte Chilsung Beverage has a system to ensure the safe management of products by notifying handling and storage tips and inspecting workplaces for safe distribution during the storage and distribution process. Also, the Company strengthens its management capabilities by completing regular quality education. Quality control is essential throughout the entire process, from raw material import, production, product storage management, and distribution. Therefore, not only the quality control manager but also all manufacturing site employees have completed quality control training and become familiar with the related content. Managers thoroughly handle the distribution of products to consumers without product quality deterioration by season and storage environment, from raw material management to product management.

**Product Safety Management System**



**Quality Education in 2022**

Quality Training Completion Status	Subject	No. of completion	Frequency
HACCP Education	1 time	All staff	1 time/year
Food hygiene education	1 time	1 each (per plant)	1 time/year

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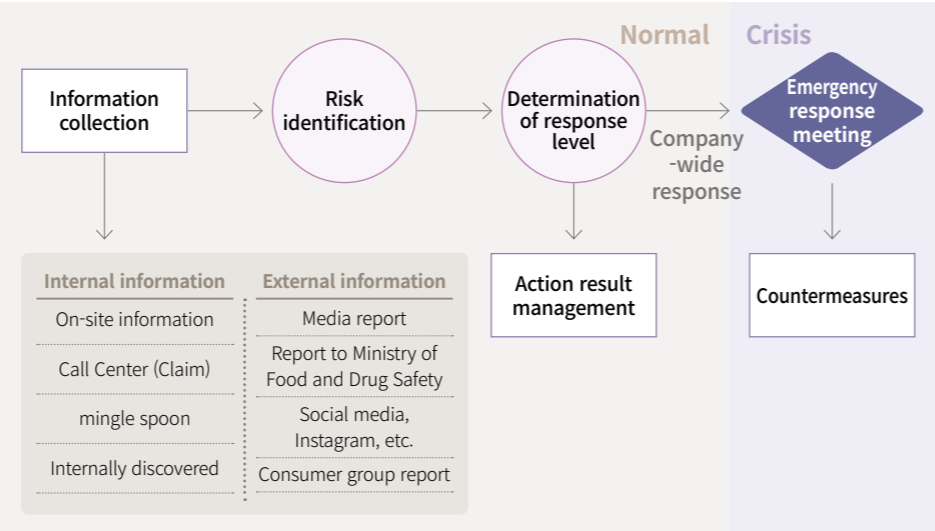
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**Quality Enhancement System**

**Abnormality Response Process**

Lotte Chilsung Beverage operates an ‘abnormality response process’ to promptly respond to symptoms in food safety and quality control. The Company manages the results of actions for abnormalities by collecting internal and external information, identifying risks, and determining the response level through continuous monitoring of quality safety issues and hazardous material information. When a company-wide response is required, the Company holds an emergency response meeting to operate a solid response system. Lotte Chilsung Beverage is preparing to reorganize the abnormality process in 2023 and introduce a smart crisis response system in 2024 to bolster the response process. The Company is reviewing the development of an early detection system and crisis information integration system and the publication of a crisis response manual. Also, the Company plans to systematize compliance to respond to laws and safety.

**Abnormality Response Process**



**Development and Investment for Quality Enhancement**

Lotte Chilsung Beverage has recently launched health-conscious products through continuous product development and investment. The Company will continue to develop various products by 2024, such as securing hybrid quality source technology and comprehensive quality technology to achieve a competitive edge in market quality.

**Product R&D Status**

Classification	Unit	2020	2021	2022
R&D expenses	KRW mil	20,390	22,012	26,442
R&D ratio (as % of sales)	%	0.90%	0.88%	0.93%

**Product Research Organization and Research Content**

Organization	Research content
Marketing Department	<ul style="list-style-type: none"> <li>• New product development</li> <li>• New category discovery</li> <li>• Consumer analysis and strategy</li> </ul>
Production Support Department	<ul style="list-style-type: none"> <li>• Production and registration of new products</li> <li>• Management of nutrition labeling</li> <li>• Inspection and improvement of food safety</li> </ul>
Lotte Central Research Institute	<ul style="list-style-type: none"> <li>• New product development</li> <li>• Container design development</li> </ul>

**New Product Quality Verification**

Lotte Chilsung Beverage operates a ‘new product quality verification process’ to prevent product risks in advance during the new product launch. The Company determines risks when developing new products and proceeds with quality assurance procedures for each risk. After specifying the key inspection items, the Company verifies the checklist for each item.

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**Social Contribution Activities**

Lotte Chilsung Beverage has established “The W.A.V.E 4 Re:Green EARTH”, a social contribution value system to realize its mission of ‘valuing people and nature and creating a clean world.’ This is a social contribution brand strategy to make the earth greener again. The Company continues its social contribution activities by setting four strategic directions for social contribution activities: win-win with stakeholders, advance of a culture of respect for human rights, vital actions for the earth, and expansion of a sharing culture. The Company strives to establish a social contribution brand by operating programs with continuity and sincerity, empathizing with the participation of various stakeholders, and enhancing the effectiveness of creating shared values through partnerships with specialized organizations.

**Social Contribution Value System**



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### Win-Win with Stakeholders

Lotte Chilsung Beverage not only provides financial support, such as raising mutual growth funds and facility investment, but also organizes various win-win programs that maximize regional elements to help local communities become self-reliant. The Company promotes mutual growth with the local community by improving the quality of life and economic stability of residents through the vitalization of the regional economic ecosystem for various stakeholders such as local businesses, small business owners, and local specialty farmers.

#### Promotion of Local Community Development by Purchasing Local Specialties

Lotte Chilsung Beverage helps local farmers and revitalizes the local economy by purchasing local specialties and launching special offer products using those. Operating the Jeju Plant in Seogwipo, Jeju Island, for 46 years since December 1977, the Company has pursued mutual growth with local tangerine farmers by purchasing non-commercial tangerines that are difficult to commercialize due to weather disasters. In collaboration with Homeplus, a large discount store, the Company organizes the Good Consumption Campaign, which releases a special offer, limited edition tangerine juice, inducing consumers to pay attention to local agricultural products. Also, it promotes mutual growth activities using regional products, such as using collected tangerine peels to manufacture products with natural tangerine flavors.

#### Activities to purchase local specialties

Classification	Detail
Tangerine	<ul style="list-style-type: none"> <li>Agreement with Jeju Special Self-Governing Province</li> <li>Purchasing more than 15,000 tons of tangerines for processing every year</li> </ul>
Plum	<ul style="list-style-type: none"> <li>Signed a trilateral contract with Hwagae Nonghyup, Suncheon Nonghyup and plum concentrate manufacturers near Jirisan Mountain and produced products</li> </ul>
Rice	<ul style="list-style-type: none"> <li>Supplied 100% domestic rice through Nonghyup in Gunsan</li> </ul>

#### Status of win-win support for tangerine farms Tangerine flavor manufacturing process using peel

Classification	Season			Jeju Plant Tangerine peel collection	Jeju Perfumery oil extraction	Lotte Food Natural tangerine flavor
	2020-21	2021-22	2022-23			
Quantity (tons)	16,579	12,714	10,994			
Amount (KRW100 mil)	24	18	13			

#### Free Printing Support for Promotional Materials for Small Local Businesses

Lotte Chilsung Beverage is committed to providing practical help to small businesses and revitalizing the local economy. The Company helps newly launched small restaurant businesses easily promote their stores and use Lotte Chilsung Beverage's products by supporting them in making promotional materials and part of the service fees through a business agreement with 'Vivivik.com,' an AI design and printing platform.



#### Selection of Local Suppliers

When selecting suppliers, Lotte Chilsung Beverage prioritizes local suppliers to help local communities. Since 2021, Lotte Chilsung Beverage has chosen a company in Gangwon-do as Chum-Churum's label and PET supplier.

Classification	Region	Local supplier	Detail	Amount	Image
Liquor label supply	Gangwon-do	Gangwon-do- based printing company	Supply of labels for products using printing facilities	KRW 610 mil in 2021 KRW 750 mil in 2022	
Liquor PET supply	Gangwon-do	Plastic container company in Gangneung	100% localization of PET containers	KRW 3.23 bilin 2021 KRW 4.03 bilin 2022	

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**Operation of PR Center at Gangneung Plant**

Launched as a local soju in Gangwon-do in 1926, Lotte Chilsung Beverage has been loved by locals as a representative soju distiller in Gangneung. In 2022, thanks to the new product 'SAERO' leading the zero sugar trend in the liquor market and creating a craze, the Company opened a brand experience center in the Gangneung factory. The center has contributed to attracting local tourists by operating field trip programs and providing a unique media art experience space. Also, the Company promotes mutual growth with the local community in various ways, such as utilizing local talent and local specialties.



**Beverage School for Mutual Growth with Small Business Owners (Open Innovation)**

Since 2020, Lotte Chilsung Beverage has proceeded with a consumer-participating beverage development project under the concept of 'Making my unique beverage.' In the first project, the Company provided training and mentoring on the beverage development process to general consumers who are serious about beverages. Through the project, the Company launched the black rice tea 'Kanyung' based on the idea of consumers' comments and released 'Michidong' containing the coolness of dongchimi. In the second project in November 2021, an opportunity for product incubation was provided to small local cafes suffering from the economic downturn due to COVID-19. Following the release of Teahouse Nani's apricot milk tea, the Company launched Insight Coffee's Black Sesame Café Latte as the final winner in May 2023, selling it both online and offline nationwide. Moreover, to commemorate the product launch, the Company opened a pop-up store at the Insight Coffee store and held various events, such as giving away free goods and operating an emotional photo zone.





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### Advance of Human Rights

Lotte Chilsung Beverage internally introduces various human rights guarantee programs and procedures to practice leading human rights management and strives to improve the organizational culture of mutual respect. Also, through external human rights protection campaign activities, the Company enhances the human rights awareness of various individuals and groups and ensures human rights in reality.

#### Activities to Raise Awareness of Persons with Disabilities

Lotte Chilsung Beverage sponsors the Super Blue Marathon, where disabled and non-disabled people run together to break down misconceptions about disability and lower the wall of prejudice. Through the Good Consumption Campaign, the Company contributed to guaranteeing the rights of disabled people as consumers by producing stalls equipped with braille stickers and motion-recognition voice guides for consumers with disabilities. At the same time, the Company strives to develop sports for disabled people by donating the proceeds to the Korea Paralympic Committee.



#### Activities for Guaranteeing Children's Human Rights

Lotte Chilsung Beverage conducts activities to ensure the human rights of children. The "Green Ribbon Campaign," a campaign to find missing children using the nationwide sales network, contributed to the safe return of missing children to their homes and heightened social interest by putting information regarding missing children in the back of sales vehicles. In May 2023, it was awarded the Minister of Health and Welfare Commendation at the Missing Children's Day ceremony. Also, the Company donated KRW 200 million for four years through the "My Only Shoes in the World" campaign to produce special shoes to guarantee the right of movement for children with walking disabilities, realizing the value of walking with 400 children.



#### Human Rights Guarantee Activities for Marginalized Neighbors

Lotte Chilsung Beverage carried out a bottled water-sharing project for mobile workers and a street campaign to improve citizen awareness as part of its efforts to guarantee the human rights of marginalized neighbors in our society with the Seoul Workers' Comprehensive Support Center and Community Chest of Korea. Here, the Company provided 75,500 mineral water and contributed to improving poor working conditions and public awareness. Also, since 2020, the Company has cooperated with the Ministry of Patriots and Veterans Affairs to operate a mineral water delivery service to families of low-income meritorious persons, providing bottled water to 5,400 households to guarantee water rights.



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### Vital action for EARTH

Lotte Chilsung Beverage practices eco-friendly management and leads sustainable consumption and production to protect a clear and clean environment. To foster eco-friendly management, the Company is building a resource circulation economy and opening a healthy and green future for the earth through various social contribution activities for a sustainable global environment not only in Korea but also abroad.

#### Various Activities to Improve the 'Water' Environment

##### Participation in Seokchon Lake Water Improvement Project

Lotte Chilsung Beverage participated in the '2023 Seokchon Lake Water Improvement Project' as part of efforts to improve the water environment and restore the aquatic ecosystem. Through the project, the Company fulfilled its responsibility as a member of the local community and a clean water company by carrying out water purification and supporting the development of sustainable ecological management plans.

##### Campaign to Support Countries with Drinking Water Security Problems

Lotte Chilsung Beverage collaborated with Lotte Mart to run an eco-friendly ESG campaign named 'Small Steps to Love the Environment' to help the vulnerable suffering from the climate crisis. During the campaign, Lotte Chilsung Beverage donated 2% of beverage sales to Oxfam Korea, an international relief and development organization, to use the entire amount of the donation for a project to improve water and sanitation in Bangladesh, a country vulnerable to climate change.

##### Environmental Clean-up Activities

Lotte Chilsung Beverage contributes to river purification through the One-Company-One-River Campaign and EM soil ball throwing activity by the Charlotte Volunteer Group, comprised of Lotte employees. EM soil ball is made by mixing microorganisms and red clay that purify water quality and is expected to improve water quality when dissolved in river water.

#### Activities to Preserve the Ecosystem

##### Campaigns to Protect Endangered Marine Life

Lotte Chilsung Beverage donated proceeds from sales of the ICIS 8.0 SUNGSIL HWARANG Edition, which was launched to protect and increase interest in endangered marine animals, to the National Nature Trust. The donation will be used to build Geomundo Marine Station in Dadohae Maritime National Park for climate change to protect marine ecosystems and biodiversity.



##### Forestation Activities

In March 2022, Lotte Chilsung Beverage signed an agreement with Nonghyup Economic Holdings and the Korea Forest Welfare Institute to reforest. By using part of the proceeds from the sales of label-free Chilsung Cider ECO packages sold at Hanaro Mart nationwide for forestation activities, the Company has contributed to increasing the value of forests, together with consumers, manufacturers, and sellers, and enabling the public to use forests comfortably.

#### Collaboration to Build a Resource Circulation Economy

##### Expansion of Re:Green Campaign

Lotte Chilsung Beverage has been running a campaign to collect and upcycle used PET bottles through the 'Re:Green Campaign' since July 2021, with a total of 27 tons of PET recovered as of the end of 2022. In 2023, the Company is contributing to establishing a resource circulation economy by presenting it as a joint task for the 'Zero Seoul Business Action Group' with Seoul City.

##### Efforts to Establish a Separate Discharge System for Transparent PET Bottles

Lotte Chilsung Beverage has made various efforts to successfully settle the separate discharge system since the introduction of the system for transparent PET bottles in apartments. The Company signed an agreement with the Songpa-gu Office for the separate discharge of PET bottles and promoted publicity to settle the separate discharge system for PET bottles, events to encourage residents, and student activity education. In October 2022, the Company participated in the 'Upcycling Expo' hosted by the Songpa-gu Office and ran a zero-waste market booth.



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### Expansion of Sharing Culture

Lotte Chilsung Beverage not only conducts various sharing activities to create a sustainable community but also strives to spread a sharing culture with activities involving employees and stakeholders.

#### Sharing for Children's Future

Lotte Chilsung Beverage continues with sharing activities for children. Since 2020, the Company has donated proceeds from the sales of 'Charlotte,' an in-house robot coffee machine, and success funds from the Employee Goal Achievement Fund to the Korea Childhood Leukemia Foundation to support medical expenses for low-income families with childhood cancer and leukemia. In addition, to foster local talent, the Company has entered into agreements with local governments where its business is located and is carrying out various scholarship projects, with KRW 160 million in scholarships donated in 2022. In particular, the scholarship project in Gunsan, which started in 1999, has strived to nurture local talent by raising and donating a cumulative amount of KRW 435 million from Lotte Chilsung Beverage liquor sales proceeds.



#### Sharing to Overcome Difficulties Together

Lotte Chilsung Beverage has been actively supporting those in need in emergencies. In March 2022, the Company delivered about 22,000 bottles of ICIS mineral water and 12,000 bottles of Gatorade to victims of forest fires in Gangwon and Gyeongbuk regions and to relief workers who extinguished the forest fires and restored the damage. Also, the Company delivered ICIS mineral water to screening clinics and dedicated hospitals in Seoul, Incheon, and Gyeonggi for medical staff struggling at the forefront of quarantine in the national disaster situation of COVID-19.



#### Sharing with Respect

Lotte Chilsung Beverage carries out social contribution activities to remember the dedication of veterans and honor the noble spirit of patriotism. In May 2020, the Company signed an agreement with the Seoul Regional Veterans Affairs Office to spread the patriotism culture and launched the 'Chilsung Cider Strong Patriots and Veterans Edition,' with KRW 150 million, a portion of the sales proceeds, spent for commemorative projects such as ICIS mineral water delivery service for low-income national meritorious persons and 62570 PEACE online concert. Also, the Company is spreading the patriotism culture by providing experience-based cultural events to remember the dedication of veterans for teenagers to experience the Gaehwasan battle. Lotte Chilsung Beverage always remembers that the Republic of Korea of today exists thanks to the efforts of men of national merit and numerous patriotic spirits, and intends to continue with various support projects for veterans' families.



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## Industrial Safety Management Objectives and Management System

### Industrial Safety and Health Management Policy

Lotte Chilsung Beverage recognizes the safety and health of all employees as a core value and has established Industrial safety and health management policies to realize healthy and respectable corporate values. Recognizing the creation of a safe working environment as a key element of management, the Company continues to make efforts to build a system and prevent accidents. In particular, the Company conducts separate education and training activities for accident prevention for stakeholders, such as employees engaged in production and employees of suppliers, as they are considered vulnerable to safety and health risks. Lotte Chilsung Beverage establishes an annual safety and health plan per “Article 14 of the Occupational Safety and Health Act” and implements the safety management plan with prior approval from the board of directors. Also, as of December 2021, the Company has reorganized its divisions and management system to respond to the Serious Accidents Punishment Act (SAPA).

### Industrial Safety and Health Management Policy

Lotte Chilsung Beverage Co., Ltd. (the “Company”) recognizes safety and health as the core values of corporate management and actively implements the following safety and health management policies to establish a safety culture and realize healthy and respectable corporate values.

1. Labor and management actively cooperate to ensure safety, as safety and health take precedence over any value at the core of corporate management.
2. Recognizing that safety and health are the basic rights of individuals, the Company actively guarantees its organization, personnel, and activities to prevent accidents.
3. All workplaces must thoroughly comply with legal requirements, and all workers, as safety managers in their respective fields, manage harm and risk factors and comply with safety rules.
4. Each workplace maintains and improves a cooperative system to secure the safety and health of all partners.
5. With thorough safety and health-related education and training, the Company guarantees the safety of individuals and workplaces and enhances response capabilities.
6. The Company sets 2023 as the first year of a safety culture settlement by advancing the safety and health management system and strives to prevent accidents by raising workers’ safety awareness.

### Lotte People’s Code of Conduct (2-4 Safe Work Environment)

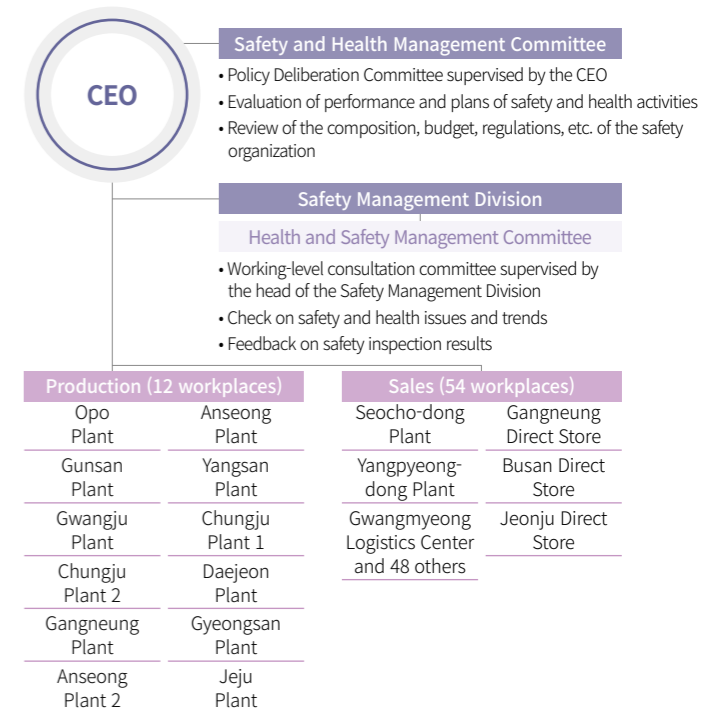
#### Principles of Lotte

We shall not only strictly comply with all laws and regulations regarding safety and hygiene but also follow more stringent internal regulations. We shall be committed to providing a safe working environment not only for Lotte employees but also for our partners and all stakeholders and actively spreading the importance of safety to them. As we are well aware that many accidents occur not from lack of experience but from “no worries” and “ok for now” hidden in familiar daily life, Lotte people shall never manage even routine tasks poorly.

#### Action Plan

1. Safety takes precedence over all other values. Do not hesitate to address or correct safety-related problems for reasons of cost, delivery time, or practice.
2. Actively find dangerous working conditions and safety-threatening problems, and immediately consult with the director or safety manager to improve even trivial ones.
3. Familiarize yourself with safety-related regulations and measures where you work, and follow the user manuals, safety regulations, and emergency response procedures when using equipment in the workplace.
4. Analyze the types of potential safety accidents and prepare an initial response manual for each accident. Establish a meticulous management plan for the safety of human and material resources for the continuous operation, such as employees, facilities, and IT assets, and conduct regular education and training for employees.
5. Employees shall not allow unauthorized access to the workplace, inform partners and stakeholders of the importance of safety and hygiene, and proactively request compliance with regulations.
6. Consult with management if you or a colleague is in a difficult condition for working due to health problems, psychological anxiety, etc.
7. Drinking too much alcohol to the extent that it interferes with performance at work and manufacturing, using, selling, possessing, or working under the influence of illegal drugs are prohibited.
8. If a safety accident occurs, do not cover it up, but hold the responsibility after verifying the facts through an accurate investigation and compensate the victim properly.

### Industrial Safety Management Organization



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## Major Achievements and Plans for Industrial Safety Management

### Major Achievements in Industrial Safety Management in 2022

Lotte Chilsung Beverage systematically conducts industrial safety management by switching to a system to prepare for major disasters and actively creates a safe working environment by allocating KRW 10.07 billion in safety and health-related budgets, up KRW 2.53 billion from KRW 7.54 billion in 2022. In 2022, the Company managed safety and health activities by inspecting harmful and risk factors and management documents through on-site inspections of each workplace based on the Serious Accidents Punishment Act(SAPA). In 2023, the Company plans to carry out on-site consulting, as well as discover, improve, and support activities on dealing with harmful and risk factors.

### Establishment of the Industrial Safety and Health Committee

Lotte Chilsung Beverage established the Industrial Safety and Health Committee to actively listen to the opinions of workers and prepare a better working environment. For example, the Opo plant has established operating regulations by the manual of the Industrial Safety and Health Committee of the Ministry of Employment and Labor and discusses an agenda based on the opinions of workers collected in advance to implement improvement plans.

### Certification Status for Safety and Health Management System (ISO 45001)

Lotte Chilsung Beverage operates safety and health management systems for hazardous work and substances for systematic industrial safety management. The Company reduces serious accidents and occupational diseases, with ISO 45001 certification for its main workplaces, the Opo plant and Gangneung Plant, acquired in February 2023, thereby officially recognizing its efforts to comply with safety laws and eradicate serious accidents.



### Improvement of Working Environment

Lotte Chilsung Beverage establishes various measures to thoroughly secure the safety and health of workers by improving the workplace environment. Lotte Chilsung Beverage prepares the musculoskeletal system according to the process flow and unit work to improve burdensome work, identifies the status of harmful factors based on unit work, and establishes preventive measures to reduce risk. In addition, the Company minimizes the level of noise leakage in the workplace by analyzing the noise process status and seeking improvement measures.

### Safety Management Workshop

Lotte Chilsung Beverage has conducted the 'Safety Management Workshop' for each plant since 2022 as a process of discovering best practices in safety management through risk assessment and disseminating them to other factories. As part of efforts to identify risk factors for each workplace and respond to seven items regarding serious accidents, the Opo plant held a slogan contest, and the Yangsan plant held a contest on safety accidents in 2023. Through these, the Company implemented practical improvement measures such as installing facilities to prevent forklift collision risk and safety management information boards.



### Safety Management Training

Lotte Chilsung Beverage discovers risk factors by participating in worker risk assessments and conducts customized safety training for workers through specialized agencies. In particular, all workers, including employees of suppliers in the workplace, actively participate in creating a safe working environment by identifying risk factors through safety training and meetings.

Risk factor training

Risk factor identification

Presentation of improvement method

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## Industrial Safety Management Plan

### Industrial safety management plan for 2023

Lotte Chilsung Beverage strives to improve the risk assessment system and establish a self-discipline prevention system by the government's roadmap for reducing serious accidents. Also, the Company works on reorganizing manuals to improve risk factor management and self-management capabilities to prevent accidents within the workplace, reinforcing prevention facilities, and enhancing training and communication channels to strengthen internal awareness.

### Improvement Plan for Risk Assessment System

To respond to the revision of the Serious Accident Punishment Act (SAPA), Lotte Chilsung Beverage has identified response factors through monitoring, response plan analysis, and improvement phases and established a risk assessment improvement plan through standard integration, simplification, and a result-sharing system.

#### Responding to the revision of the SAPA

Monitoring	Response plan analysis	Improvement
Interpretation of changes in regulation and purpose of change	Evaluation of application scope, risk level, and urgency by workplace	Establishment of improvement plan, implementation inspection and supplementation

### Improvement plan for risk assessment system (3 years)



### Direction and Plan for Safety Inspection

Lotte Chilsung Beverage shifts its direction from safety inspection supervision/instruction to consulting/support to improve the level of self-management at workplaces and reduce the risk of accidents, with plans to conduct safety inspections twice a year for each production and sales site in the first half of 2023.

#### Safety inspection progress plan in 2023

1H	2H
Workplace hazard inspection Accident/hazard analysis	Establishment of safety management guide Inspection of improvement and execution items

### Industrial Safety Management Plan

Lotte Chilsung Beverage plans to review the current industrial safety management organization, reporting system, and regulations, identify improvement plans, supplement the deficiencies regarding industrial safety management, and operate a more systematic management plan.

#### Items to be reviewed for industrial safety management in 2023

Organization	Reporting system	Regulations		Relevant work	Others
Absence of dedicated organization and executives	Insufficient safety report and improvement system	Absence of safety management budget standards and procedures	Absence of separate provisions of the SAPA	Consideration of safety capability when selecting a contractor	Self-managed by subsidiaries

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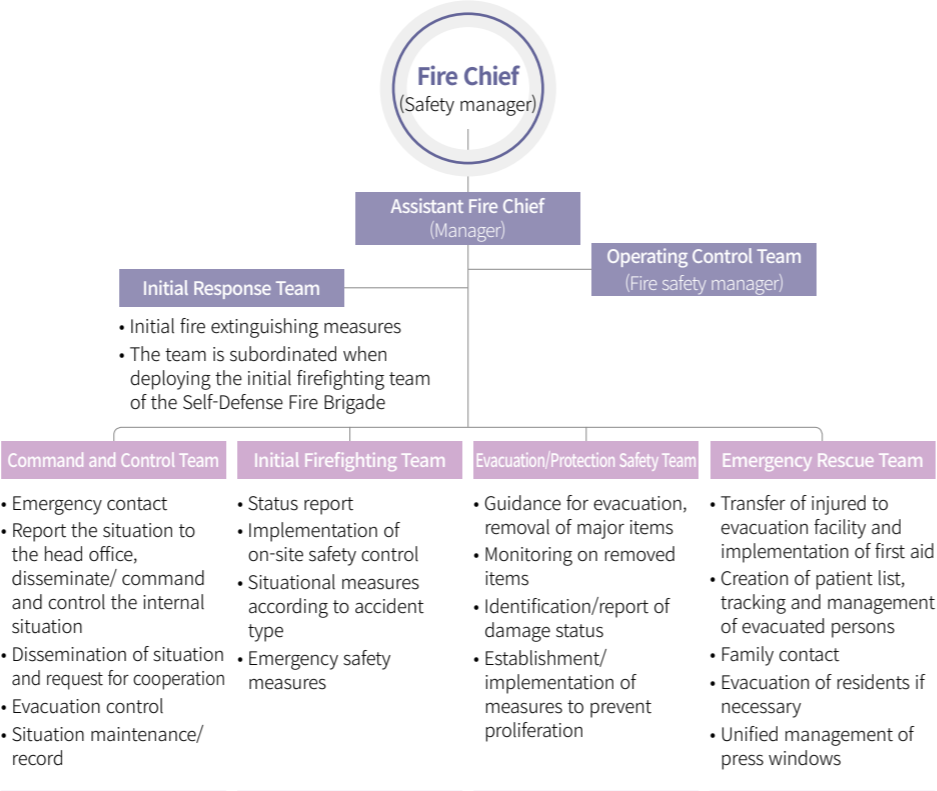
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**Emergency Response to Industrial Safety Accidents**

**Emergency Response Organization for Industrial Safety Accidents**

Lotte Chilsung Beverage has established a system that can collectively respond to occupational safety accidents by forming a self-defense fire brigade organization for each business site with the safety management team as the main body. Emergency response training is conducted by designating a person in charge for each organization to take swift action in the event of an industrial safety accident.



**Implementation of Emergency Response Drills**

Lotte Chilsung Beverage conducts drills to respond to accidents at any time by setting a mandatory emergency response training cycle for the safety manager at the workplace, according to the guidance of the safety management team. We conduct various training on potential occupational safety accidents, such as semiannual industrial safety accident drills in confined spaces, semiannual emergency response drills for hazardous chemical leakage accidents, and firefighting response drills once a month.



**Hazardous Chemical Substance Management**

Lotte Chilsung Beverage identifies hazardous risk factors in the workplace and prevents chemical-related accidents through careful hazardous chemical management. The Company posts chemical warning signs and Material Safety Data Sheets (MSDS) at storage and handling facilities to prevent hazardous chemical accidents. In particular, the Company responds to safety accidents by conducting practical weekly self-safety inspections for hazardous chemical storage and facilities.

# Governance

Lotte Chilsung Beverage complies with business ethics and laws and systematically manages a system for transparent management.

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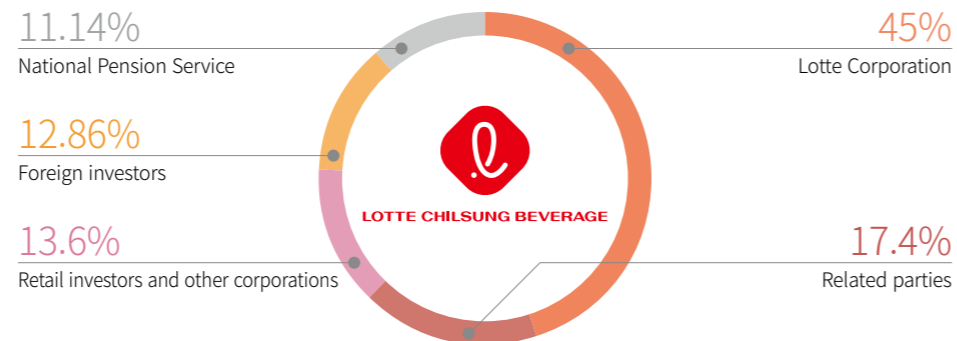
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## Corporate Structure

### Shareholder Composition and Ownership Structure

Lotte Chilsung Beverage's largest shareholder is Lotte Corporation, which owns 45.00% of common stock. This is a structure in which a holding company possesses a significant amount of stock to meet the holding company's mandatory share ratio in subsidiaries under the Fair Trade Act. According to the Articles of Association, Lotte Chilsung Beverage can issue 24,000,000 shares and currently has issued 9,278,884 shares of common stock and 775,310 shares of preferred stock. Based on the common stock, the Company grants one vote per share to all shareholders and guarantees the fair voting rights of shareholders as stipulated by the Commercial Act and related laws so that the voting rights, the inherent right of shareholders, are not violated.



### Status of voting rights by stock type

Classification	Type of stock	No. of shares
Total number of shares issued (A)	Common	9,278,884
	Preferred	775,310
No. of shares without voting rights (B)	Common	-
	Preferred	775,310
No. of shares with voting rights (A-B)	Common	9,278,884
	Preferred	-

## Investor Relations

Lotte Chilsung Beverage regularly communicates with shareholders and investors with active IR activities. The Company periodically holds earnings presentations to share management performance and business strategies every quarter and carries out separate presentations for foreign investors twice a year. From 2023, the Company provides disclosures in English through the system within the Korea Exchange KIND for foreign shareholders while expanding the scope of disclosure by providing earnings guidance with sales and operating profit forecasts. Accordingly, the Company has been highly evaluated for its communication activities with shareholders, such as being selected as an 'Excellent IR Company' for two consecutive years in 2021 and 2022 and the '2022 Excellent Public Disclosure Corporation in the Stock Market' hosted by the Korea Exchange.



## Shareholder Returns including Dividends

Lotte Chilsung Beverage's dividend is determined by comprehensively considering the gradual expansion of shareholder dividends and the enhancement of corporate value through mid- to long-term investments, with a mid to long-term target of a 30% dividend payout ratio on a separate basis to enhance shareholder-friendly management and shareholder returns. As a result, Lotte Chilsung Beverage paid dividends of KRW 29.8 billion in 2021, an increase of about 14.6% from the previous year, as net profit turned black for the first time in four years and paid out KRW 33.2 billion in 2022, an increase of 11.5%, on the back of continuous earnings improvement, implementing the policy aiming for a mid to long-term dividend payout ratio of 30%.

### Matters concerning Dividends

Classification	2020	2021	2022
Net profit (loss)(KRW mil)	(16,367)	122,607	119,870
Total amount of dividends (KRW mil)	25,956	29,750	33,183
Dividend per share (KRW)	Common	2,700	3,000
	Preferred	2,705	3,005
Dividend payout ratio based on separate financials (%)	-	24.3	27.7

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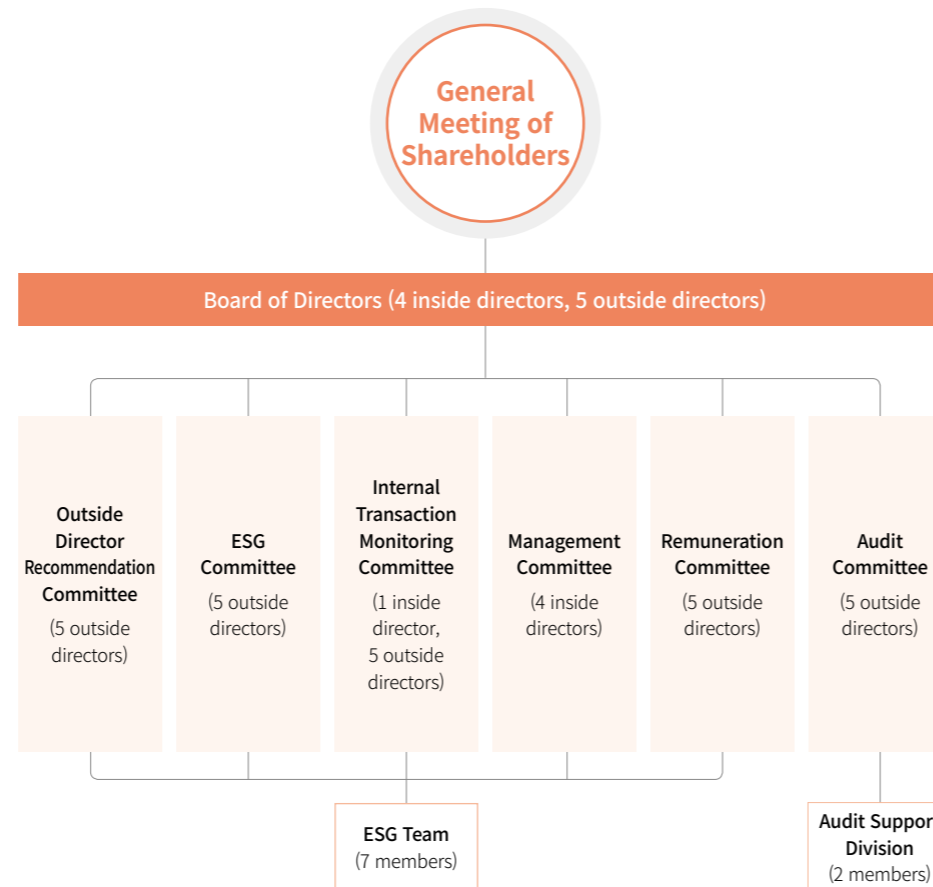
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### Composition and Independence of the Board of Directors

Lotte Chilsung Beverage is a listed company with a total asset of more than KRW 2 trillion. The board of directors consists of nine members, including four inside directors and five outside directors, pursuant to Article 542-8 of the Commercial Act, with outside directors maintaining the majority of the total number of directors. In addition to the board of directors, all committees (excluding the Management Committee) comprise all or half of which are outside directors to function independently of the management and controlling shareholders.



### Composition of the Board of Directors

(As of March 31, 2023)

Classification	Name	Gender (age)	Title	Term	Expertise	Major career
Inside directors (4)	Dong-bin Shin	Male (68)	Director	Mar 22, 2023 - Mar 21, 2025	Corporate management	CEO, Lotte Corporation (current) CEO, Lotte Chemical (current) CEO, Lotte Wellfood (current)
	Yun-gie Park	Male (53)	Chairman of the board	Mar 23, 2021 - Mar 22, 2025	Corporate management	Division Head of Marketing, Lotte Chilsung Beverage Division Head of Strategic Planning, Lotte Chilsung Beverage CEO, Lotte Chilsung Beverage (Current)
	Jun-beom Lim	Male (50)	Director	Mar 27, 2020 - Mar 26, 2024	Corporate management	Division Head of Finance, Lotte Chilsung Beverage Division Head of Strategic Planning, Lotte Chilsung Beverage (Current)
	Hyojin Song	Female (46)	Director	Mar 23, 2021 - Mar 22, 2025	Finance	Beverage Accounting Team Leader, Lotte Chilsung Beverage Division Head of Finance, Lotte Chilsung Beverage (current)
Outside directors (5)	Won-sun Baek	Male (64)	Chairman of Audit and Compensation Committees, etc.	Mar 27, 2020 - Mar 26, 2024	Finance	Advisory professor, Financial Supervisory Service Professor, Business Administration, Sungkyunkwan University (current)
	Jeong-hoon Moon	Male (50)	Audit Committee member	Mar 27, 2020 - Mar 26, 2024	Food Business	Assistant Professor, Department of Management Science, KAIST Professor, Department of Agricultural Economics and Social Sciences, Seoul National University
	Kyung-gu Lim	Male (61)	Audit Committee member	Mar 23, 2021 - Mar 22, 2025	Tax affairs	Director General of Investigation Bureau, National Tax Service Representative Tax Accountant, K-Partners (tax corporation) (current)
	Hyun-wook Cho	Female (56)	Audit Committee member	Mar 23, 2021 - Mar 22, 2025	Law	Judge, District and High Court Representative Lawyer, The Jo-Eun (Law Firm) (current)
	Sang-do Ha	Male (56)	Audit Committee member	Mar 22, 2023 - Mar 21, 2025	Food engineering	Senior Researcher, Korea Health Industry Development Institute Professor, Food Science and Technology, Chung-Ang University (current)

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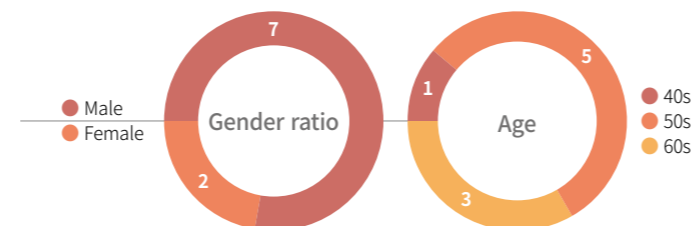
### Expertise and Diversity of the Board of Directors

Lotte Chilsung Beverage appoints the right person as a director by carefully examining a candidate with rich experience who meets all the qualifications required by relevant laws and regulations, with responsibility and expertise based on various evaluation items. Inside directors are composed of experts in corporate management, marketing, planning, and finance, whereas outside directors are experts in the fields of finance, food business, taxation, food engineering, and law to review management from various perspectives. In particular, the Company prioritizes candidates that can be judged independently from multiple perspectives, regardless of race, nationality, gender, region of origin, religion, or field of expertise. Currently, Lotte Chilsung Beverage's board of directors consists of 22% female directors while ensuring diversity by appointing experts in each field ranging in age from 40s to 60s.

#### Board Skills Matrix



#### Diversity in the Board of Directors



### Operation of the Board of Directors

The board of directors of Lotte Chilsung Beverage is divided into regular and temporary boards of directors per the board of directors regulations, with the regular board meeting held once a quarter in principle. At least 1/2 of all directors must be present to establish a board of directors meeting, whereas resolutions are decided with the consent of at least 1/2 of all directors present. In addition, to support outside directors in their duties, the ESG Team and the Audit Committee Support Division provide necessary information and resources at any time. In 2022, a total of 7 board meetings were held to discuss 14 resolutions and seven reports.

#### Status of the Board of Directors and Board of Directors Committee Meetings in 2022

Classification	No. of times held	Attendance rate	No. of agenda resolutions	Major resolutions
Board of Directors	7 times	97%	Report: 7 Resolution: 14	<ul style="list-style-type: none"> <li>Disposition of treasury shares</li> <li>Acquisition of health functional food startup</li> <li>Revision of the Corporate Governance Charter</li> </ul>
Audit Committee	6 times	87%	Report: 16 Resolution: 7	<ul style="list-style-type: none"> <li>Evaluation of the operation of the internal accounting control system</li> <li>Preparation and submission of audit report</li> <li>Appointment/dismissal of manager of Audit Committee Support Division</li> </ul>
Outside Director Recommendation Committee	1 times	100%	Resolution: 1	<ul style="list-style-type: none"> <li>Recommendation of outside director candidates</li> </ul>
Remuneration Committee	2 times	100%	Resolution: 5	<ul style="list-style-type: none"> <li>Establishment of executive remuneration limit</li> <li>Payment of management performance bonus</li> </ul>
Internal Transaction Monitoring Committee	1 times	100%	Resolution: 1	<ul style="list-style-type: none"> <li>Renewal of integrated logistics contract</li> </ul>
ESG Committee	3 times	73%	Report: 5 Resolution: 3	<ul style="list-style-type: none"> <li>Establishment of ESG roadmap</li> <li>CEO's KPI performance report on ESG</li> <li>Enactment of Human Rights Management Charter and Partner Codes of Conduct</li> </ul>
Management Committee	4 times	100%	Resolution: 6	<ul style="list-style-type: none"> <li>Payment of donations</li> </ul>

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### Committees within the Board of Directors

Lotte Chilsung Beverage's board of directors delegates professional authority to six committees under Article 37 of the Articles of Association and Article 5-10 of the Board Regulations to enhance the efficiency of board functions. The majority of the committees within the BOD are outside directors. Among those, the Audit Committee, Outside Director Recommendation Committee, Remuneration Committee, and ESG Committee are run by all outside directors. However, the Management Committee is managed by all inside directors to make decisions promptly as it deliberates and decides only on matters entrusted by the Board of Directors in accordance with the Management Committee regulations. Matters on the organization, operation, and authority of the committees are stipulated in the regulations of each committee, and cases decided by the committee based on the regulations of each committee are reported to the board of directors with documented agendas.

(As of March 31, 2023)

Committee	Chairman	Member	Key Roles of the Committee
<b>Audit Committee</b>	Won-sun Baek Outside Director	Jeong-hoon Moon Outside Director Kyung-gu Lim Outside Director Hyun-wook Cho Outside Director Sang-do Ha Outside Director	• Auditing of accounting and business and selection of external auditors
<b>Outside Director Recommendation Committee</b>	Won-sun Baek Outside Director	Jeong-hoon Moon Outside Director Kyung-gu Lim Outside Director Hyun-wook Cho Outside Director Sang-do Ha Outside Director	• Recommendation of outside director candidates to be appointed at the general shareholders' meeting
<b>Internal Transaction Monitoring Committee</b>	Yun-gie Park Inside Director	Won-sun Baek Outside director Jeong-hoon Moon Outside Director Kyung-gu Lim Outside Director Hyun-wook Cho Outside Director Sang-do Ha Outside Director	• Review and approval in case of signing a large-scale private contract with affiliates worth KRW 10 billion or more (However, the scope of affiliates is limited to advertising, SI, logistics, and construction)
<b>Management Committee</b>	Yun-gie Park Inside Director	Jun-beom Lim Inside Director Hyojin Song Inside Director	• Deliberation and resolution on matters entrusted by the board of directors
<b>Remuneration Committee</b>	Won-sun Baek Outside Director	Jeong-hoon Moon Outside Director Kyung-gu Lim Outside Director Hyun-wook Cho Outside Director Sang-do Ha Outside Director	• Approval of the remuneration limit for registered executives to be submitted to the general meeting of shareholders • Approval of remuneration of registered executives (including bonuses) • Approval of remuneration limit for unregistered executives by position
<b>ESG Committee</b>	Won-sun Baek Outside Director	Jeong-hoon Moon Outside Director Kyung-gu Lim Outside Director Hyun-wook Cho Outside Director Sang-do Ha Outside Director	• Review of the direction of the Company's sustainability management strategy • The results of the previous year's ESG initiatives and implementation plans for the current year • Review of major non-financial risks and issues related to the environment and society • Final review of non-financial information disclosure, etc.

### Evaluation of the Board of Directors

Lotte Chilsung Beverage evaluates the activities of the board of directors to verify the effectiveness and performance of the board and to enhance the sense of responsibility for the duties of the board. The evaluation of the board of directors is conducted once a year after the end of each fiscal year and is carried out in the form of self-evaluation by the board members through an evaluation questionnaire consisting of the roles and responsibilities, composition, operation, and committee agendas of the board of directors to discuss the results. Aside from the evaluation itself, the board members actively discuss evaluation subjects, such as reviewing improvement plans for relevant issues, and disclose the board evaluation results in the Business Report. Also, the Company conducts an independent evaluation annually for the term-limited directors and all incumbent outside directors. Regarding the assessment of activities of outside directors, the Company comprehensively reviews the board attendance rate, opinion and contribution to the agenda of the board of directors, provision of effective advice as an expert in a specific field, and contribution to internal control of the Company's financial risks as an audit committee member, etc. The board utilizes the evaluation results of individual outside directors to promote efficient outside director activities and review reappointment after the end of their term.

### Evaluation of the Board of Directors in 2022

	Classification	Score (out of 5 points)
<b>Roles and Responsibilities of the BOD (4.9)</b>	Understanding of industry trends and management objectives	4.8
	Active participation in the decision-making process	5
	Decision-making in line with the Company's mid/long-term management plan	5
	Regular inspection of legal compliance	5
<b>Composition of the BOD (4.8)</b>	Composition of members in diversified fields	5
	Composition of members independent of management	4.9
	Procedure for selecting director candidates	4.8
	Orientation for new directors	4.6
<b>Operation of the BOD (4.8)</b>	Regular holding of the Board of Directors	5
	Substantial provision and reporting of agenda information	4.8
	Sufficient deliberation process and reasonable procedures for resolutions	5
	Disclosure of board activities	4.6
<b>Committees within the BOD (4.9)</b>	Adequacy of the number of committees	4.8
	Appropriateness of composition of outside directors within the committee	4.9
	Appropriate review of audit work	4.9
	Audit Committee's report to the shareholders' meeting	4.9

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### Company-wide Risk Management

Lotte Chilsung Beverage broadly manages and responds to operational risks that may arise from environmental, social, and economic aspects at the company level. The Company will continue to control potential financial and non-financial risks by establishing policies from an integrated perspective on possible operational risks with systematic monitoring and prevention activities.

### Company-wide Risk Management System

Lotte Chilsung Beverage has established an organized risk management system to efficiently respond to various risks from business activities. The Company delegated the ESG Committee under the Board of Directors the right to vote on major non-financial risks and issues related to the environment and society and stipulated these in the ESG Committee regulations. The Company manages each risk by classifying it into detailed risk factors according to the duties of the ESG Committee and business departments and has established a unified system to enable immediate response with prompt decision-making when risks occur. Also, the Company plans to maintain a sustainable level of risk management through prior risk awareness and training for its employees.



### Status of Major Risk Management

Risk	Risk management status	Relevant department
Environment	Lotte Chilsung Beverage monitors government policies and regulations and analyzes their impact on the Company to respond and minimize risks proactively. It manages quantitative data on resources such as GHG emissions, water, and waste and strives to reduce environmental impact with efficient resource use.	Quality Innovation Department
Resource circulation	The Company strives to minimize the environmental impact of plastic by establishing a virtuous resource cycle system to expand sustainable, eco-friendly packaging for PET bottles and packaging waste generated from its products.	Quality Innovation Department
Supply chain	The Company manages supply chain ESG to meet consumer needs, respond to the competitive environment, and grow with its suppliers. It strives to build a healthy corporate ecosystem by setting a supply chain management roadmap and operating supply chain management policies, such as supply chain ESG evaluation.	Purchasing Department
Consumer	The Company launches responsible marketing policies and promotes its unique brand strategy to provide goods and services that prioritize protecting consumer rights and interests. Also, for active communication with customers, it manages open innovation, a consumer-participating proposal platform, to meet consumer needs.	Marketing Division
Food safety	The Company introduced HACCP, a food safety management certification standard, and received certification for all workplaces, systematically managing food hygiene and operating a food safety management system through all stages. It conducts quality control training for employees to recognize the importance of quality control and safe product management.	Quality Innovation Department
Occupational safety	To prepare for major disasters, the Company conducts systematic industrial safety management and actively creates a safe working environment by increasing safety and health-related budgets. It strives to improve the risk assessment system and establish a self-discipline prevention system by the government's roadmap for reducing serious accidents.	Safety Management Division
Compliance	The Company has set a compliance management policy to create a healthy corporate ecosystem and meet stakeholder trust by complying with and practicing obligations. By the ISO 37301 management system, the Company has established and implemented a PDCA system to prevent compliance risks.	Compliance Management Department
Finance	The Company runs its business by managing the ratio of assets and liabilities at an appropriate level to constantly manage financial risks arising from internal and external factors and to control adverse effects on financial soundness.	Finance Department
Human rights	Through the human rights impact evaluation, Lotte Chilsung Beverage identifies various human rights risks arising from business activities and sets improvement plans. The Company plans to actively share risks identified through human rights due diligence, improvement directions, and implementation details with stakeholders.	EGS Department

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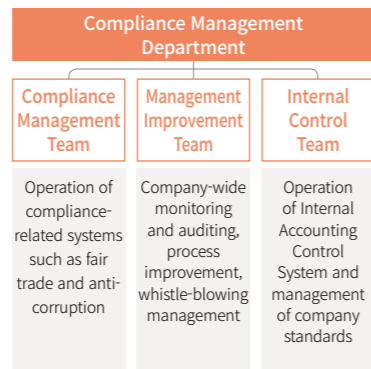
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## Compliance

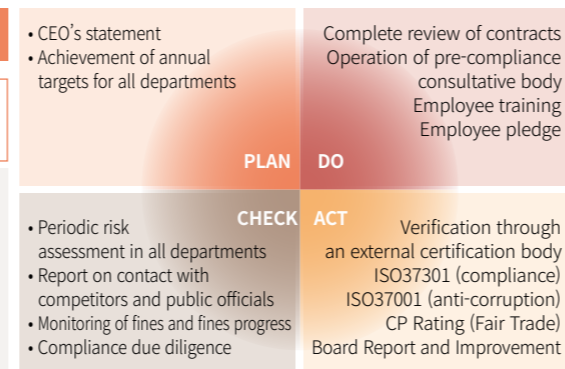
### Compliance System

Lotte Chilsung Beverage has established a compliance management policy to create a healthy corporate ecosystem and meet stakeholder trust by complying with and implementing obligations. The Compliance Management Department serves as a control tower for company-wide compliance and has set and implemented a PDCA scheme to prevent compliance risks in accordance with the ISO 37301 management system.

#### Compliance Organization



#### Compliance PDCA Scheme



### International standard certification for compliance and anti-corruption management system (ISO 37301 and ISO 37001)

Lotte Chilsung Beverage is the first in the Korean beverage and liquor industry to acquire and maintain ISO 37301 and ISO 37001 certifications, international standards for compliance and anti-corruption management systems, being recognized for meeting the requirements of international standards. Also, it plans to conduct follow-up and renewal audits for related certifications every year.



#### Progress of Compliance Work in 2022

Classification	Detail	Impact
Internalization of employee compliance	<b>Reinforcement of compliance training (year-round)</b> <ul style="list-style-type: none"> <li>Production of permanent educational materials and distribution within the Company's computer network</li> <li>Production of materials to guide compliance issues such as law revision</li> </ul>	<ul style="list-style-type: none"> <li>Understanding of response to major compliance issues</li> </ul>
	<b>Production and distribution of manuals (Feb 2022)</b> <ul style="list-style-type: none"> <li>Establishment and revision of manuals on fair trade issues</li> <li>Distribution within in-house systems to improve accessibility</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of law violations by employees</li> </ul>
Expansion of compliance	<b>Compliance briefing to suppliers</b> <ul style="list-style-type: none"> <li>Information on major law revisions</li> <li>Guidance on compliance</li> <li>Provision of advice to desired companies</li> </ul>	<ul style="list-style-type: none"> <li>Spreading a culture of compliance</li> </ul>
	<b>Advice on anti-corruption management system to a subsidiary (Apr 2022)</b> <ul style="list-style-type: none"> <li>Advisory target: domestic subsidiaries</li> <li>Advice on subsidiaries for the introduction of anti-corruption management systems</li> <li>Acquisition of ISO certification for subsidiaries in the future</li> </ul>	<ul style="list-style-type: none"> <li>Mutual growth and cooperation</li> </ul>
Risk prevention through monitoring	<b>Computerization of contract review</b> <ul style="list-style-type: none"> <li>Legal review required prior to signing</li> <li>Payment control in case of non-review</li> <li>Electronic storage of contract review history</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of law violations through monitoring</li> </ul>
	<b>Monitoring of legal violation history</b> <ul style="list-style-type: none"> <li>Monitoring of details of fines paid for company-wide law violations</li> <li>Confirmation of cause and response result</li> <li>Confirmation of establishment of recurrence prevention measures</li> </ul>	

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### Compliance Program

Lotte Chilsung Beverage has introduced the Compliance Program (CP) to voluntarily comply with fair trade laws and regulations to prevent unfair trade practices and build a fair trade culture. The Company prepares the eight components of the compliance program to ensure members are familiar with laws and regulations related to fair trade and prevent violations of fair trade and subcontracting, with regular training to on-site departments on revisions to relevant laws and regulations. Moreover, the Company is subject to CP ratings by the Fair Trade Commission to evaluate the level of operation on a regular basis.

#### Eight Components of the Compliance Program (CP)

1. Establishment of CP standards and procedures	The Company must establish and implement necessary standards and procedures for employees to clearly understand and practice fair trade-related laws and regulations.
2. CEO's commitment to voluntary compliance and resources	The CEO must openly express his intention and policy for voluntary compliance with fair trade laws and regulations and actively support the CP.
3. Appointment of compliance manager	The highest governance body, such as the BOD, must appoint a compliance officer and assign responsibility for effective CP operation.
4. Production and use of self-compliance handbook	The self-compliance handbook made under the responsibility of the compliance officer includes fair trade laws/regulations and CP standards/procedures. The handbook must be produced as documents or electronic files for all employees to access and utilize easily.
5. Continuous and systematic self-compliance training	Regarding CP standards/procedures and compliance with laws/regulations on fair trade, the Company should conduct effective training on a regular basis for employees in fields with a high probability of fair trade violations, including the CEO and purchasing/sales departments.
6. Production and utilization of self-compliance handbook	The Company must set and run a reasonably planned surveillance system to prevent or detect illegal acts early. Monitoring results should be periodically reported to the highest governance body, such as the BOD, at least semi-annually.
7. Sanctions against employees who violate laws and regulations related to fair trade	The Company must adopt rules stipulating sanctions against employees who violate fair trade laws/regulations. Also, the Company must actively respond to the discovery of law violations and prevent similar acts from recurring.
8. Effectiveness evaluation and improvement measures	For the CP to continue to operate effectively, the Company must regularly inspect and evaluate the CP standards, procedures, and operation and take improvement measures accordingly.

### Compliance Training

Lotte Chilsung Beverage intensifies anti-corruption and fair trade training based on the Fair Trade Act for all employees to improve compliance, ethical management awareness, and risk prevention. Also, the Company strives to internalize the compliance culture of employees by conducting intensive training for compliance-related departments, holds compliance briefings for suppliers, and provides advice on anti-corruption management systems to domestic subsidiaries.

#### Compliance Training in 2022

NO	Training	Training date	No. of completion	Total participants	Completion rate
1	Compliance training for Lotte Chilsung Beverage employees (fair trade)	Aug 2022 – Dec 2022	5,055	5,136	98.4%
2	Sales manager compliance training (fair trade)	(Beverage) Mar 21 – Apr 21, 2022 (Liquor) May 15 – Jun 18, 2022	207	226	91.6%
3	Compliance management expert qualification course (CCP level 2)	Aug 29 – Aug 30, 2022	1	1	100.0%
4	Fair Trade Act and Compliance Practices	Jun 13, 2022	2	2	100.0%

### Compliance System

The compliance system aims to easily respond to and prevent legal risks arising in business activities. The system provides overviews of major laws, manuals, and guidelines through internal web pages. In particular, it contains compliance items for major compliance matters such as anti-corruption, fair trade, and full review of contracts. Also, the Compliance Management Department implements a bulletin board for inquiries on legal issues that provide real-time answers to block the occurrence of legal risks effectively.



In-house compliance system website

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### Ethical Management System

Lotte Chilsung Beverage has prepared its ethical code of conduct based on the Group-wide ethical code, the 'Lotte Code of Conduct.' With the Codes of Conduct and Ethics for employees, the Company presents the right value judgments and behavioral standards for job performance. Accordingly, the Company prohibits the act of requesting, receiving, or providing any financial benefits to interested parties. Stakeholders create a practical ethical management culture with employees, suppliers, and agents (third parties and consultants) with business interests.

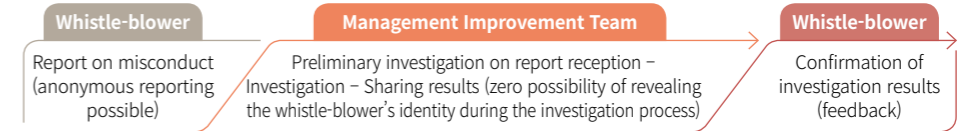
### Code of Ethics Overview

 <p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>• Provision of the best products and services and differentiated value</li> <li>• Respect for the customer's right to know</li> <li>• Protection of customer information</li> </ul>
 <p><b>Shareholders</b></p>	<ul style="list-style-type: none"> <li>• Increase in shareholder profits and company value</li> <li>• Listening to the opinions of minority shareholders</li> <li>• Accounting transparency and corporate information disclosure</li> </ul>
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Attitude of employees</li> <li>• Fair work performance</li> <li>• Responsibilities and obligations of employees</li> <li>• Creation of a healthy and safe working environment</li> <li>• Contribution as an employee</li> <li>• Protection of company property</li> </ul>
 <p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• Pursuit of fair trade and common development with suppliers</li> <li>• Prohibition of unethical behaviors such as money, valuables, and entertainment</li> </ul>
 <p><b>State and society</b></p>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility</li> <li>• Establishment of sound market order through fair competition</li> <li>• Environment and resource protection</li> <li>• Safety and accident prevention</li> </ul>

### Operation of Reporting Channel

Lotte Chilsung Beverage operates a reporting channel through which employees and third parties can consult and report matters that violate the Code of Ethics and Code of Conduct. Anyone can access the reporting channel through Lotte Corporation and the Company's website, as well as the 'Ethics Management Hotline.' By the Company's regulations for the protection of whistle-blowers, we prohibit any unfavorable treatment and retaliation, such as disadvantage in the identity of whistle-blowers or discrimination in terms of working conditions, and operate a process that fundamentally eliminates the possibility of revealing the identity of informants.

### Reporting and Investigation Procedures



### Reporting Channels

Classification	Lotte Corporation ReportCenter	Lotte ChilsungBeverage Report Center	Ethics Management Hotline
Department	HoldCo Management Improvement Team	Lotte Chilsung Beverage Management Improvement Team	
Phone	-	-	+82-02-2141-2996
Internet	Submit to the Cyber Report Center on the website of Lotte Corporation	Submit to the Cyber Report Center on the website of Lotte Chilsung Beverage	jebo@lotte.net

### In-house regulations to protect whistle-blowers

#### 4.2 Protection of informants and whistleblowers

- (1) In handling informants and whistleblowers, the Management Improvement Team must not inform or disclose personal information or facts that can be known to others to protect the identity of the informant and whistleblower. However, this is not the case when the informant and the whistleblower agree.
- (2) Even after the processing is completed, the identity of the informant and whistleblower must only be disclosed if the person concerned agrees.
- (3) The Management Improvement Team shall make every effort to ensure that informants and whistleblowers do not suffer any disadvantages after reporting or whistleblowing.



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### Compliance and Ethics Training

Once a year, Lotte Chilsung Beverage operates training programs on compliance and ethical management to remind employees, including contract workers, of related regulations, focusing on corruption within the Company and daily cases at work to strengthen awareness of ethical practices.

#### Status of Compliance and Ethics Training



##### Importance of Compliance and Ethical Management

Meaning of compliance management, compliance management cases of global companies, correlation between business ethics and corporate profits



##### Sales + Production Management

Sales strategy, sales and production management



##### Fraudulent use of company expenses

Examples of fraudulent use, types of fraudulent use, punishment standards and company guidelines



##### Compliance with Fair Trade

Collection of competitor information, unfair collaboration in violation of the Fair Trade Act, Do/Don't List, revision of liquor tax administration regulations



##### Activation of internal reporting

Necessity of internal reporting system, recognition of internal reporting system, internal reporting process

### Internal Accounting Control System

Lotte Chilsung Beverage designs and operates an internal accounting control system per Article 8 of the Act on External Audit of Stock Companies, etc., to prepare and disclose reliable accounting information, with a dedicated organization to manage and operate it. The Internal Control Team is in charge of standard management, risk assessment, transition management, inspection and reporting of the operation status of the internal accounting control system, and employee training. The Team reports the operating status of the internal accounting control system to the shareholders' meeting, board of directors, and Audit Committee every fiscal year. Also, the Team is establishing an internal accounting control system for domestic and foreign subsidiaries from 2021 in preparation for the audit of the system based on the consolidated financial statements from 2023. In November 2019, Lotte Chilsung Beverage established the Audit Committee Support Division, an organization exclusively responsible for supporting the work of the Audit Committee to supervise financial reports and internal/external audits and to evaluate internal accounting independently. Per Article 8, Paragraph 5 of the External Audit Act, the Company's Audit Committee members assess the operational status of the internal accounting control system and report it to the Board of Directors every fiscal year. Lotte Chilsung Beverage has evaluated the operation of the internal accounting control system based on the design and operational concept system and concluded that it was designed and operated effectively in terms of materiality. Moreover, the Company believed that it was designed and operated effectively in terms of materiality in the results of the independent evaluation by the Audit Committee. Samil Accounting Corp., as an external auditor, also expressed its opinion that the system was appropriate.

#### Evaluation Result of Internal Accounting Operation Status

Fiscal year	2020	2021	2022
Internal	Appropriate	Appropriate	Appropriate
Audit Committee	Appropriate	Appropriate	Appropriate
External auditor	Appropriate	Appropriate	Appropriate

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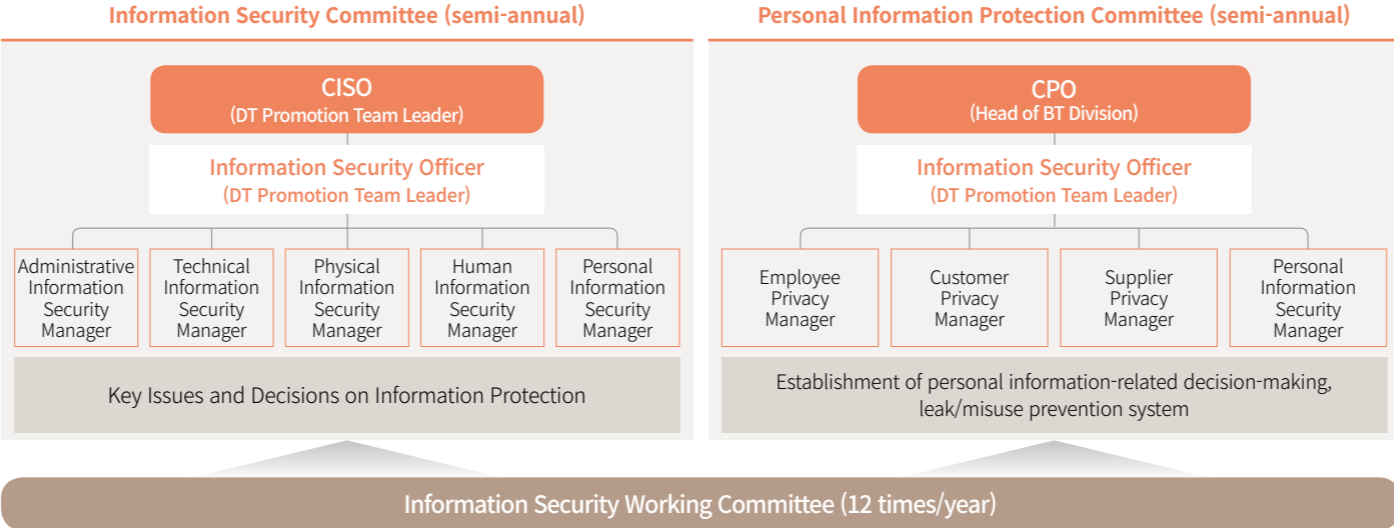
**Information Protection**

Lotte Chilsung Beverage manages information protection-related regulations and policies to protect consumers’ personal information and the Company’s information assets. The Company enhances its capabilities for information protection by dedicating a department to establishing a management system and implementing detailed policies. Also, it delivers necessary principles and codes of conduct to information managers and trustees suitable for the nature of their work and actively eradicates security risks by expanding training and investment for capacity building.

**Information Protection Council**

Lotte Chilsung Beverage controls data security and personal information protection practices through the DT Promotion Team and regularly holds information protection working-level committees to check progress. In particular, if matters require decision-making, the Company opens the Information Security Committee and the Personal Information Protection Committee to make decisions. From February 2023, the Chief Information Security Officer (CISO) and the Chief Privacy Officer (CPO) are separately appointed to enhance protection.

**Information Protection Council**



Information Security Committee



Working committee



Working committee (training)

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### Information Protection Management

The Company has a system to categorize information protection policies into four categories, establish/operate plans, and report the results to the Chief Information Security Officer or Chief Privacy Officer.

#### Information Protection Policy

Classification	Item	Department	Classification	Item	Department
Admin	1. Revision of regulations and guidelines	DT Promotion Team	Technical	1. Security solution improvement	DT Promotion Team IT Team
	2. Operation of the consultative body	DT Promotion Team		2. Improvement of simulated hacking and vulnerability check	DT Promotion Team IT Team
	3. Regular report on information protection	DT Promotion Team		3. User account management	DT Promotion Team
	4. Information security check - ISMS-P certified - Group Information Security Check	DT Promotion Team		4. Periodic inspection of access details - N/W, account, authority, DB access, remote, etc.	IT Team
	5. Information security disclosure	DT Promotion Team		5. Security operation management	IT Team
	6. Information security training	DT Promotion Team HR Manager		6. Incident response	DT Promotion Team IT Team
	7. Improvement of employee awareness	DT Promotion Team		7. Disaster preparedness measures - DR advancement	IT Team
	8. Information security asset management	DT Promotion Team IT Team	1. Privacy account and authority management - Chilsung Mall, HR, representative homepage	Chilsung Mall manager, etc.	
Physical	1. Physical security check improvements	Business Support Team DT Promotion Team	Privacy	2. Consignment management of personal information	DT Promotion Team
	2. Protection area facilities and work management	IT Team, etc.		3. Personal information retention check	DT Promotion Team
	3. Work environment security	Business Support Team DT Promotion Team		4. Personal information log check	DT Promotion Team
	4. Image information processing management	Business Support Team Sales/ Production Support		5. Inspection of personal information system access records	DT Promotion Team
			6. Updating personal information processing policy Chilsung Mall, HR, representative homepage	Chilsung Mall manager, etc.	

### Acquisition of Information Protection Certification





As of July 2022, the Company acquired ISMS-P certification for the first time in the beverage and liquor industry to prevent personal information leakage accidents and further strengthen the level of the internal information protection management system. Lotte Chilsung Beverage plans to acquire ISMS-P for external service OOS systems in 2H23. Also, the Company intends to expand the scope of certification to internal systems and protect customers' personal information and promote company-wide digital transformation (DT) to enhance the level of the Company's information protection management system as well as customer privacy protection.



### Reinforcement of Employee Information Protection Capabilities and Activities

Lotte Chilsung Beverage carries out activities to raise employee information protection awareness to protect valuable customer information and essential corporate information safely. The Company conducts personal information protection training for employees every year to raise awareness and reinforces information protection capabilities by improving the system for users. Lotte Chilsung Beverage will set an investment plan based on the Group's information security policy and enhance the information security response system with continuous investment.

### Information Protection Investment

 <p><b>Information Protection Investment</b></p> <p>Approximately <b>KRW2.0 billion</b></p>	<p><b>Percentage of sales</b></p>  <p><b>0.08%</b></p>	<p><b>Investment History</b></p>  <ul style="list-style-type: none"> <li>• Operation/maintenance of information security solution system</li> <li>• Advancement of access control and network operations</li> </ul>
	<p><b>Percentage of IT investment</b></p>  <p><b>7.7%</b></p>	

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The Company provides detailed data on ESG management.

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# Financial Performance

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

Account	2020	2021	2022
<b>Assets</b>			
<b>I . Current assets</b>	893,273,738,535	994,500,442,413	1,019,994,253,786
1. Cash and cash equivalents	158,849,601,868	384,577,796,934	345,003,532,508
2. Short -term financial instruments	165,000,000,000	15,197,657,890	10,101,651,860
3. Trade and other receivables	247,110,448,883	225,501,980,736	239,135,596,123
4. Other financial assets	4,301,121,711	4,601,012,524	11,467,801,371
5. Held-to-maturity financial assets	11,605,000	1,466,355,000	43,025,000
6. Inventories	257,369,471,186	305,372,216,736	343,437,520,806
7. Current tax assets	4,875,218,011	2,790,379,165	1,910,794,997
8. Other assets	55,756,271,876	54,993,043,428	68,894,331,121
<b>II . Non-current assets</b>	2,572,839,164,390	2,602,329,680,765	2,675,941,386,524
1. Long-term financial instruments	66,058,729,947	115,761,346	35,401,477
2. Long-term trade and other receivables	6,724,842,404	1,477,998,940	985,677,500
3. Other financial assets	52,569,666,699	65,975,675,328	64,808,261,737
4. Financial assets at fair value through profit or loss	473,412,391	444,519,845	384,526,620
5. Financial assets at fair value through other comprehensive income	19,935,913,437	26,244,792,976	20,391,942,013
6. Held-to-maturity financial assets	1,795,300,000	338,090,000	309,340,000
7. Deferred tax assets	401,542,376	4,991,218,635	5,462,852,365
8. Investments in associates and joint ventures	130,563,634,058	135,119,358,106	135,067,925,318
9. Property, plant and equipment assets	1,939,744,908,385	2,048,216,396,232	2,077,791,326,496
10. Right-of-use assets	78,006,151,446	72,646,408,375	67,453,940,564
11. Investment property	135,508,526,578	129,433,027,560	117,529,490,580
12. Intangible assets	116,565,138,073	105,358,484,001	97,987,983,130
13. Other assets	11,621,665,025	4,013,531,532	12,330,224,942
14. Net defined benefit assets	12,869,733,571	7,954,417,889	75,402,493,782
<b>Total assets</b>	<b>3,466,112,902,925</b>	<b>3,596,830,123,178</b>	<b>3,695,935,640,310</b>

(Unit: KRW)

Account	2020	2021	2022
<b>Liabilities</b>			
<b>I . Current liabilities</b>	864,944,909,992	970,974,140,682	1,154,623,005,968
<b>II . Non-current liabilities</b>	1,296,281,906,581	1,180,800,282,566	1,129,146,454,058
<b>Total liabilities</b>	<b>2,161,226,816,573</b>	<b>2,151,774,423,248</b>	<b>2,283,769,460,026</b>
<b>Capital</b>			
<b>I . Equity attributable to owners of the Parent Company</b>	1,294,627,755,325	1,426,729,319,265	1,393,068,061,170
1. Capital	4,875,216,500	5,027,097,000	5,027,097,000
2. Hybrid securities	149,459,980,000	149,459,980,000	-
3. Other components of equity	(714,290,627,700)	(676,928,734,399)	(668,196,183,297)
4. Other accumulated comprehensive income	(21,659,335,701)	(12,362,684,708)	(23,048,795,789)
5. Retained earnings	1,876,242,522,226	1,961,533,661,372	2,079,285,943,256
<b>II . Non-controlling interest</b>	10,258,331,027	18,326,380,665	19,098,119,114
<b>Total equity</b>	<b>1,304,886,086,352</b>	<b>1,445,055,699,930</b>	<b>1,412,166,180,284</b>
<b>Total liabilities and equity</b>	<b>3,466,112,902,925</b>	<b>3,596,830,123,178</b>	<b>3,695,935,640,310</b>
	(January 1, 2020 - December 31, 2020)	(January 1, 2021 - December 31, 2021)	(January 1, 2022 - December 31, 2022)
<b>Sales</b>	2,257,973,300,939	2,506,093,270,200	2,841,747,049,867
<b>Operating profit</b>	97,230,309,774	182,218,380,367	222,858,437,341
<b>Consolidated net profit (loss)</b>	(16,801,842,344)	137,076,880,540	131,094,281,214
<b>Attributable to owners of the Parent Company</b>	(12,512,118,041)	135,515,807,903	128,410,081,553
<b>Non-controlling interest</b>	(4,289,724,303)	1,561,072,637	2,684,199,661
<b>Earnings (loss) per share</b>			
<b>Basic and diluted earnings (loss) per ordinary share</b>	(2,104)	13,341	12,754
<b>Basic and diluted earnings (loss) per preferred share</b>	(2,099)	13,346	12,759

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## Beverage / Liquor Sales

Division		Unit	2020	2021	2022
Beverage	Sales	KRW mil	1,639,946	1,795,873	2,030,533
	Operating profit	KRW mil	125,429	159,329	181,105
		%	7.6	8.9	8.9
Liquor	Sales	KRW mil	618,027	710,220	811,214
	Operating profit	KRW mil	-28,199	22,889	41,753
		%	-4.6	3.2	5.1
Total	Sales	KRW mil	2,257,973	2,506,093	2,841,747
	Operating profit	KRW mil	97,230	182,218	222,858
		%	4.3	7.3	7.8

## Performance by region

Country	Unit	2020	2021	2022
South Korea	KRW mil	2,150,295	2,306,884	2,605,078
Pakistan	KRW mil	83,927	104,166	122,900
United States	KRW mil	3,992	18,966	29,913
Japan	KRW mil	14,868	51,685	43,597
China	KRW mil	1,628	5,389	3,700
Myanmar/ Singapore	KRW mil	3,263	19,003	36,559
<b>Total</b>	<b>KRW mil</b>	<b>2,257,973</b>	<b>2,506,093</b>	<b>2,841,747</b>

## Consolidated subsidiaries

Company Name	Date of Establishment	Address	Main Business	Unit	Total asset at end of recent fiscal year	Basis of affiliation	Major subsidiary
SanchungBeverage Co., Ltd.	2003-07-07	59-61 Nammyeong-ro, Sicheon-myeon, Sancheong-gun, Gyeongsangnam-do	Beverage manufacturing and sales	KRW mil	48,507	Over 50% stake	N/A
Lotte Akhtar Beverages (Private) Limited	1987-08-05	32-N, Gulberg II, Lahore, Pakistan	Beverage manufacturing and sales	KRW mil	65,789	Over 50% stake	N/A
LOTTE Beverage America Corp	1979-07-12	3600 Wilshire BLVD., Suite No.836 Los Angeles, CA 90010, USA	Wholesale and other trade	KRW mil	10,970	Over 50% stake	N/A
LOTTE Liquor (Beijing) Co., Ltd.	2012-09-29	RM 1104 11/F, No.2 Building, No.10 Yard, Wangjing Street, Chaoyang District, Beijing, China	Wholesale and other trade	KRW mil	1,151	Over 50% stake	N/A
LOTTE Beverage Holdings (Singapore) Pte. Ltd	2013-10-30	30 Cecil Street #19-08, Prudential Tower, Singapore (049712)	Business and management advisory	KRW mil	8,491	Over 50% stake	N/A
LOTTE MGS Beverage (Myanmar) Co., Ltd.	2014-02-11	No.362, 11th Street, Zaykabar Industrial Zone, Mingaladon Township, Yangon, Myanmar	Beverage manufacturing and sales	KRW mil	20,001	Over 50% stake	N/A
LOTTE LIQUOR JAPAN CO., LTD.	1980-03-06	2314, Mita Kokusai Bldg. 1-4-28 Mita Minato-Ku, Tokyo 108-0073, Japan	Wholesale and other trade	KRW mil	36,939	Over 50% stake	N/A
GREEN WITH Co., Ltd.	2021-06-09	4th floor, 269, Olympic-ro, Songpa-gu, Seoul	Service	KRW mil	944	Over 50% stake	N/A
C.H. Beverage Co., Ltd.	2008-12-15	59, Seongdae2-gil, Miwon-myeon, Sangdang-gu, Cheongju-si, Chungcheongbuk-do	Beverage manufacturing and sales	KRW mil	20,721	Over 50% stake	N/A
Chung buk Soju Co., Ltd.	2004-08-25	57, Usan-gil, Naesu-eup, Cheongwon-gun, Chungcheongbuk-do	Liquor manufacturing and sales	KRW mil	16,649	Over 50% stake	N/A
Baek hak Beverage Co., Ltd.	2004-10-08	589, Jangbaek-ro, Baekhak-myeon, Yeoncheon-gun, Gyeonggi-do	Beverage manufacturing and sales	KRW mil	63,759	Over 50% stake	N/A
Big some bio Co., Ltd.	2016-06-16	Business Incubation Center-204, 501 Jinju-daero, Jinju-si, Gyeongsangnam-do	Sales, development	KRW mil	3,689	Over 50% stake	N/A
La Bio Co., Ltd.	2022-10-14	77, Yongbong-ro, Buk-gu, Gwangju, Industry-University Cooperation Building 2, Room 310A	Development	KRW mil	100	Over 50% stake	N/A

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## Environment

### Certification regarding environmental management

Certification	Unit	2020	2021	2022
Carbon Grade/ Low Carbon Certification	Case	3	3	10
Green company	Case	3	3	3

### Domestic environmental management awards

Awards	Unit	2020	2021	2022
Domestic environmental management-related awards	Case	3	1	0

### Violation of Environmental Laws

Classification	Unit	2020	2021	2022
Legal violation	Case	2	1	2
Fine	KRW mil	1.96	0.48	6.50

### Eco-friendly investment

Classification	Unit	2020	2021	2022
Invested amount	KRW mil	1,656	3,018	2,021

### Energy consumption

	Classification	Unit	2020	2021	2022
Energy consumption	Total energy consumption	TJ	2,975	3,131	2,992
	Basic unit consumption (compared to production)	TJ/kl	0.002	0.002	0.002
	Basic unit consumption (compared to sales)	TJ/ KRW100 mil	0.138	0.134	0.113
Renewable energy consumption	General power consumption	Mwh	172,529	181,422	178,898
	Inhousepowergeneration	Mwh	42	39	168
	REC	Mwh	-	-	427
	Total renewable energy	Mwh	42	39	595
	Composition (compared to total consumption)	%	0.02	0.02	0.33

### GHG emissions

	Classification	Unit	2020	2021	2022
Scope1		tCO <sub>2</sub> -eq	58,606	57,175	53,530
Scope2		tCO <sub>2</sub> -eq	102,734	105,627	105,845
Total emissions		tCO <sub>2</sub> -eq	161,274	162,748	159,319
GHG emission intensity	Production-based	tCO <sub>2</sub> -eq/kl	0.116	0.109	0.101
	Sales-based	tCO <sub>2</sub> -eq/ KRW100 mil	7.46	6.94	6.03

※ GHG emissions by each business site are error-prone due to truncating the decimal point (based on GHG statements).

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### Air pollutant emissions

Classification	Unit	2020	2021	2022
Nitrogen Oxides (NOx)	ton	26.02	22.95	26.46
SulfurOxides (SOx)	ton	0.11	0.85	0.15
Dust	ton	0.68	1.21	0.56

### Water pollutant emissions

Classification	Unit	2020	2021	2022
Biochemical Oxygen Demand (BOD)	ton	236	326	360
Chemical Oxygen Demand (COD)	ton	302	210	166
Total Organic Carbon (TOC)	ton	-	-	194
Suspended solids (SS)	ton	78	73	76
Total Nitrogen (T-N)	ton	21	23	18
Total Phosphorus (T-P)	ton	3	3	2

### Hazardous chemical consumption

Classification	Unit	2020	2021	2022
Hazardous chemical consumption	ton	2,067	2,842	2,448
Hazardous chemical emissions	ton	0.017	0.020	0.019
Basic unit consumption (based on production volume)	ton/kl	0.0015	0.0019	0.0016

※ Basic unit consumption (based on production volume)

### Waste emissions

Classification	Unit	2020	2021	2022	
General waste	By treatment type (incineration)	ton	281	319	291
	By treatment type (landfill)	ton	48	7	65
	By treatment type (recycling)	ton	25,548	22,840	25,795
	Total	ton	25,877	23,166	26,151
Specified waste	By treatment type (incineration)	ton	25	20	21
	By treatment type (landfill)	ton	5.4	-	0.7
	By treatment type (recycling)	ton	337	248	222
	Total	ton	368	268	244
Waste recycling	Recycled volume	ton	25,885	23,088	26,017
	Recycling rate	%	98.63%	98.53%	98.57%
Basic unit emissions	Production-based	ton/kl	0.019	0.016	0.017

※Based on reported waste (all business sites)



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## Water resource management

	Classification	Unit	2020	2021	2022
Intaking water volume	Waterworks	ton	3,848,737	3,696,136	3,725,297
	Groundwater	ton	1,286,720	1,488,333	1,113,588
	Total intake volume	ton	5,135,457	5,184,470	4,838,885
	Basic unit intake (based on production volume)	ton/kl	3.69	3.46	3.07
Wastewater discharge volume	Discharge volume	ton	3,372,837	3,426,288	3,076,442
	Basic unit discharge (based on production volume)	ton/kl	2.43	2.29	1.95
Amount of water recycled		ton	482,597	425,949	502,082
Water recycling rate		%	12.52	11.06	14.03

※ Based on national pollutant source investigation (all business sites)

※ Changes in criteria for calculating water recycling performance

## Plastic shipments\*

	Classification	Unit	2020	2021	2022
Total PET bottle shipments		ton	46,081	50,030	51,012
Total other synthetic resin shipments		ton	4,686	4,351	4,445
Total plastic shipments		ton	50,767	54,381	55,457

※ Integrated shipments for beverage and liquor

## Reducing weight of PET bottles\*

	Classification	Unit	2020	2021	2022
Weight at normal		ton	53,587	57,963	59,322
Total shipment weight		ton	46,081	50,030	51,012
Percentage reduced		ton	-7,507	-7,933	-8,310
Percentage reduced		%	-14.0	-13.7	-14.0

※ Additionally reflected weight reduction for new products

## Label-free plastic bottle production

	Classification	Unit	2020	2021	2022
Label-free plastic bottle shipments		ton	332	3,633	6,621

※ Based on producer responsibility recycling performance

## Packaging material consumption

	Classification	Unit	2020	2021	2022
Total packaging material consumption	Plastic	ton	50,767	54,381	55,457
	Metal can	ton	26,301	26,610	27,033
	Glass bottle	ton	13,714	12,874	15,820
	Paper carton	ton	1,766	1,775	1,642

※ Based on producer responsibility recycling performance

## Recycled raw material consumption

	Classification	Unit	2020	2021	2022
Recycled raw material consumption	PET bottle	ton	-	3.3	30.4
Percentage of recycled raw materials used		%	-	0.006	0.055

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## Social

### Employee volunteering

Classification	Unit	2020	2021	2022
No. of participants	Persons	345	79	223
Total hours	Hour	1,147	206	1,096
Hours per person	Hour/person	3.3	2.6	4.9

\* Error corrected for 2021 data

### Ratio of donations to operating profit

Classification	Unit	2020	2021	2022
Percentage of donations	%	4.6	2.3	2.2

\* Error corrected for 2021 data

### Social contribution expenses

Classification	Unit	2020	2021	2022
Social welfare	KRW mil	3,075	2,972	2,430
Medical/health	KRW mil	54	150	84
Education/academic research	KRW mil	215	173	589
Arts and culture/physical education	KRW mil	1,120	870	1,361
Environment	KRW mil	14	4	369
Total	KRW mil	4,479	4,169	4,834

### Welfare expenses

Classification	Unit	2020	2021	2022
Total welfare expenses	KRW100 mil	831	848	932
Welfare expense per person	KRW mil	14.2	14.7	18.0

### Employee salaries\*

Classification	Unit	2020	2021	2022
Total employee salaries	KRW mil	315,537	341,674	372,147
Average salary per person	KRW mil	54	59	64

\* Internal calculation standard → Total amount and employees including temporary workers in the Business Report

### Injury rate\*

Classification	Unit	2020	2021	2022
Injury occurred	Case	15	32	25
Lost time injury rate	%	0.255	0.560	0.431

\* Lost Time Injury Rate = Number of injuries × 200,000 hours / total working hours

### Percentage of membership in the union

Classification	Unit	2020	2021	2022
No. of employees	Persons	5,827	5,773	5,844
No. of union members	Persons	2,460	2,506	2,580
Percentage of membership	%	42.2	43.4	44.1

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## Supplier Training

Year	Curriculum	No. of classes (times)	No. of people (persons)
2020	Humanities and others	2	76
2021	Production management and others	10	20
2022	Foreign language and others	4	3

## Employee Training

Classification	Curriculum	Number of people enrolled by year (persons)		
		2020	2021	2022
Environment	Environmental education	35	9	30
Health/Safety	Industrial safety education and others	4,252	4,392	5,024
Anti-Corruption	Lotte Chilsung Beverage employee compliance training (anti-corruption 1, 2)	5,075/5,193 (98%)	5,073/5,109 (99%)	5,055/5,136 (98%)
		2,341/2,341 (100%)	-	-

\* Error corrected for 2020 data

## Training Expenses

Classification	Unit	2020	2021	2022
Total training expenses	KRW 1,000	1,577,161	1,813,618	20,540,387
Training expense per person	KRW 1,000	270	314	387
Training hour per person	Hour	8.6	8.8	24.1

\* In-person training revitalized after the end of COVID-19

## New Hires and Voluntary Turnover

Classification	Unit	2020	2021	2022
New hires	Persons	100	265	326
Voluntary turnover rate	%	8	9	13

## Average Length of Service

Classification	Unit	2020	2021	2022
Average Length of Service	Year	11.9	12.4	12.2

## Employment Diversity

Classification	Unit	2020	2021	2022	
		20-29 years old	Persons	858	617
By age	30-39 years old	Persons	2,286	2,317	2,283
	40- 49 years old	Persons	1,705	1,759	1,772
	50 years old and older	Persons	985	1,089	1,019
By gender	Male	Persons	4,635	4,509	4,559
	Female	Persons	1,199	1,273	1,285
	Female with M rank or higher	Persons	50	60	61
Disabled people (including the number of employees at subsidiary-type standard workplaces with disabilities)	Persons	144	170	185	

\* Based on the mandatory employment performance report of the Korea Employment Agency for Persons with Disabilities

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### Retirement by Age and Gender

Classification		Unit	2020	2021	2022
By age	20-29 years old	Persons	138	97	179
	30-39 years old	Persons	165	244	250
	40-49 years old	Persons	116	138	167
	50 years old and older	Persons	58	33	142
By gender	Male	Persons	260	267	367
	Female	Persons	217	245	371

### Status of Childcare Leaves

Classification		Unit	2020	2021	2022
Employees on childcare leave	Male	Persons	147	149	113
	Female	Persons	34	25	26
	Total	Persons	181	174	139
Return rate		%	76.8	71.3	89.2

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## Governance

### Shareholding status of the largest shareholder and related parties

(As of December 31, 2022)

Classification	Ordinary Shares		Preferred Shares		Total	
	No. of shares	Ownership (%)	No. of shares	Ownership (%)	No. of shares	Ownership (%)
Lotte Corporation	4,175,694	45.00	163,890	21.14	4,339,584	43.16
Lotte Aluminum	708,870	7.64	30,500	3.93	739,370	7.35
Lotte Scholarship Foundation	501,680	5.41	39,650	5.11	541,330	5.38
Lotte Foundation for Arts	-	-	9,200	1.19	9,200	0.09
Hotel Lotte	-	-	37,470	4.83	37,470	0.37
LOTTE HOLDINGS	109,830	1.18	-	-	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
Yoo-mi Shin	770	0.01	-	-	770	0.01
Young-gu Lee	930	0.01	-	-	930	0.01
Yun-gie Park	800	0.01	-	-	800	0.01
Dong-jin Lee	200	0.00	-	-	200	0.00
Jun-beom Lim	50	0.00	-	-	50	0.00
Hong-hoon Choi	200	0.00	-	-	200	0.00
Jong-geun Kim	120	0.00	-	-	120	0.00
Sang-jin Lee	2	0.00	-	-	2	0.00
Total	5,789,586	62.40	392,785	50.66	6,182,371	61.49

### Board of Directors

Classification	Unit	2020	2021	2022		
		No. of meetings held	Time	9	9	7
Operation of the Board of Directors	No. of agendas	Resolution	Case	24	33	14
		Reported	Case	7	8	7
Board attendance rate	Inside director	%	97	97	100	
	Outside director	%	87	96	94	

### Board Skill Matrix

Competencies, qualifications, expertise, etc.	Dong-bin Shin	Yun-gie Park	Jun-beom Lim	Hyo-jin Song	Won-sun Baek	Jeong-hoon Moon	Kyung-gu Lim	Hyun-wook Cho	Sang-do Ha
Leadership	✓	✓	✓	✓		✓	✓	✓	
Marketing / PR / Consumer	✓	✓				✓			
Risk Management	✓	✓		✓	✓		✓	✓	
Core Industry	✓	✓	✓	✓		✓			✓
ESG Strategy									✓
Finance / Accounting			✓	✓	✓		✓		

### Shareholding status of the Board of Directors

(As of December 31, 2022)

Classification	Name	No. of shares (Unit: shares)	
		Ordinary	Preferred
Inside director	Yun-gie Park	800	-
	Jun-beom Lim	50	-
	Dong-jin Lee	200	-

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### Remuneration for Board of Directors

Classification	Unit	Inside director	Outside director	Total
No. of people	Persons	4	5	9
Total remuneration	KRW mil	1,330	410	1,740

### Status of Holding Committees under the Board of Directors

	Classification	Unit	2020	2021	2022
Audit Committee	Percentage of outside directors	%	100	100	100
	No. of meetings held	Time	7	7	6
	No. of agendas	Case	18	25	23
Remuneration Committee	Percentage of outside directors	%	100	100	100
	No. of meetings held	Time	3	3	2
	No. of agendas	Case	4	5	5
Outside Director Recommendation Committee	Percentage of outside directors	%	83	100	100
	No. of meetings held	Time	2	3	1
	No. of agendas	Case	2	3	1
Internal Transaction Monitoring Committee	Percentage of outside directors	%	83	83	83
	No. of meetings held	Time	2	2	1
	No. of agendas	Case	2	2	1
ESGCommittee	Percentage of outside directors	%	-	100	100
	No. of meetings held	Time	-	2	3
	No. of agendas	Case	-	2	8
Management Committee	Percentage of outside directors	%	0	0	0
	No. of meetings held	Time	0	2	4
	No. of agendas	Case	0	3	6

### Association Fees

Classification	Unit	2020	2021	2022
Association fee expenditure (annual)	KRW mil	858	877	1,138

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

### Number of information protection violations

Classification	Unit	2020	2021	2022
Violation of information protection (customer data, personal information, etc.)	Case	0	0	0

# TCFD Index

	TCFD Requirement	Page	CDP Indicator
Governance	a) Board's oversight of climate related risks and opportunities	17, 33, 82~84	C1.1b
	b) Management's role in assessing and managing climate-related risks	17, 33	C1.2
Strategy	a) Short, medium and long-term climate- related risks and opportunities	34, 35	C2.1a, C2.3, C2.3a, C2.4, C2.4a
	b) The impact of climate change risks and opportunities on an organization's business, strategy, and financial plan	34, 35	C2.3a, C2.4a, C3.1, C3.2b
	c) Description of the flexibility of the management strategy, taking into account climate change-related scenarios, including scenarios below 2°C	33~35	C3.2, C3.2a, C3.2b
Risk Management	a) Description of the organizational process for identifying and assessing climate change-related risks	26, 33	C2.1, C2.2, C2.2a
	b) Description of organizational processes for managing climate change-related risks	26, 33	C2.1, C2.2
	c) Method for integrating the process of identifying, assessing, and managing climate change-related risks into an organization's overall risk management system.	26, 33~34	C2.1, C2.2
Metrics and Targets	a) Disclosure of indicators used to assess climate-related risks and opportunities in accordance with business strategy and risk management procedures	27~42	C4.2, C4.2a
	b) Disclosure of GHG emissions and related risks under Scope 1 (direct emissions), Scope 2 (indirect emissions) and Scope 3 (other indirect emissions)	31, 95	C6.1, C6.3, C6.5, C6.5a
	c) Description of the objectives adopted by the organization to manage climate change-related risks and opportunities and the degree to which the objectives are met.	27~32	C4.1, C4.1a, C4.2, C4.2a

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	2-2	Subsidiaries included in the sustainability report within the organization	2	
	2-3	Reporting period, frequency and inquiries	2	
	2-4	Restatement of information	-	See notes on each page
	2-5	External verification	108-109	
Activities and employees	2-6	Activities, value chains and other business relationships	6, 8-15	
	2-7	Employees	99	
Governance	2-9	Governance and composition	82	
	2-10	Recommendation and selection of the highest governance body	83-84	
	2-11	Chairman of the highest governancebody	82	
	2-12	The role of the highest governance body	83-84	
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	2-15	Conflicts of interest	83	
	2-16	Communication on important matters	33-34, 83, 85	
	2-17	Comprehensive knowledge of the highest governance body	82-83	
	2-18	Evaluation of the performance of the highest governance body	84	For details, refer to the Corporate Governance Report
	2-19	Remuneration policy	-	For details, refer to the Corporate Governance Report
Strategy, policy, and execution	2-20	Remuneration determination procedure	-	For details, refer to the Business Report
	2-21	Annual total remuneration rate	-	For details, refer to the Business Report
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	3-2	List of materiality issues	22-24	
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GRI 201 : Economic Performance	201-1	Creation and distribution of direct economic value	81, 93-94	
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	201-3	Defined benefit pension obligations and other retirement plan plans	-	For details, refer to the Business Report
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GRI 203 : Indirect Economic Impact	203-1	Social infrastructure investment and service support activities	41-42, 70-75	
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<b>GRI 300 : Environment</b>				
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<b>GRI 400 : Social</b>				
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GRI 413 : Local Communities	413-1	Local community engagement, impact assessment, and development program operation sites	71	
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GRI 414 : Assessment of Supplier Social Impact	414-1	New suppliers assessed according to social criteria	-	To be determined
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## Non-Alcoholic Beverages

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Water Resource Management	FB-NB-140a.1	(1) Total water intake (2) Total water consumption (3) Proportion of areas with high or severe water stress index	36-37,97	
	FB-NB-140a.2	Description of water management risks and discussion of strategies and practices to mitigate these risks	36-37	
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## To readers of LOTTE Chilsung Beverage 2022 Sustainability Report

### Introduction

Korea Management Registrar (KMR) was commissioned by LOTTE Chilsung Beverage to conduct an independent assurance of its 2022 Sustainability Report (the “Report”). The data and its presentation in the Report is the sole responsibility of the management of LOTTE Chilsung Beverage. KMR’s responsibility is to perform an assurance engagement as agreed upon in our agreement with LOTTE Chilsung Beverage and issue an assurance statement.

### Scope and Standards

LOTTE Chilsung Beverage described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR’s assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with GRI standards 2021 was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process.

- GRI Sustainability Reporting Standards 2021
- Universal standards
- Topic specific standards
  - GRI 201: Economic Performance
  - GRI 203: Indirect Economic Impacts
  - GRI 205: Anti-corruption
  - GRI 301: Materials

- GRI 303: Water
- GRI 305: Emissions
- GRI 306: Waste
- GRI 405: Diversity and Equal Opportunity
- GRI 413: Local Communities
- GRI 414: Supplier Social Assessment

As for the reporting boundary, the engagement excludes the data and information of LOTTE Chilsung Beverage’ partners, suppliers and any third parties.

### KMR’s Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- reviewed the overall Report;
- reviewed materiality assessment methodology and the assessment report;
- evaluated sustainability strategies, performance data management system, and processes;
- interviewed people in charge of preparing the Report;
- reviewed the reliability of the Report’s performance data and conducted data sampling;
- assessed the reliability of information using independent external sources such as Financial Supervisory Service’s DART and public databases.

### Limitations and Recommendations

KMR’s assurance engagement is based on the assumption that the data and information provided by LOTTE Chilsung Beverage to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

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### Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with LOTTE Chilsung Beverage on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

**Inclusivity** LOTTE Chilsung Beverage has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

**Materiality** LOTTE Chilsung Beverage has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

**Responsiveness** LOTTE Chilsung Beverage prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of LOTTE Chilsung Beverage's actions.

**Impact** LOTTE Chilsung Beverage identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

### Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

### Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with LOTTE Chilsung Beverage and did not provide any services to LOTTE Chilsung Beverage that could compromise the independence of our work.

June 2023 Seoul, Korea



CEO *E. J. Hwang*

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## LOTTE CHILSUNG BEVERAGE CO.,LTD

The Korea Management Registrar Inc. (hereinafter “KMR”) has conducted the verification on the greenhouse gas (hereinafter “GHG”) emission (Scope 1, 2) of LOTTE CHILSUNG BEVERAGE CO.,LTD(hereinafter “the Company”) in 2022.

## SCOPE

Verification of all places of business and emission facilities under the control of the Company

## LIMITATIONS

The verification has inherent limitations that may arise in the process of applying standards and methods.

## OPINION

- GHG verification has been performed to meet the reasonable assurance level according to the verification standards.
- We express that no significant errors were found in the calculation of emissions during the verification process, and that relevant activity data and evidence were appropriately managed and calculated. As a result, we express an “qualified” opinion.
- Criticality: meets the criterion, which is less than 5%

(Unit: tCO<sub>2</sub>-eq/yr)

GHGs Emission	Direct emission (Scope1)	Indirect emission (Scope2)	Total (tCO <sub>2</sub> -eq)
2022	53,530.304	105,844.559	159,319

Energy Consumption	Fuel	Electricity	Steam	Total (TJ)
2022	959.023	1,717.418	368.677	2,992

※ Total emissions are summed by company after cutting the decimal point at the workplace.

※ Scope1&2 emissions are value of GHG submitted to the Ministry of Environment.

June 13th, 2023



CEO E. J. Hwang