

Sweet ESG

LOTTE Confectionery Sustainability Report 2021



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ABOUT THIS REPORT

Features of the Report

LOTTE Confectionery is publishing the LOTTE Confectionery Sustainability Report 2021 to transparently share its activities and outcomes in the area of sustainable management during the last year with internal and external stakeholders. This Report represents the willingness and efforts of LOTTE Confectionery to grow with the community as a sustainable company by connecting its strategies with ESG and reporting strategies and activities in accordance with the UN Sustainable Development Goals (SDGs).

Reporting Period

This Report describes and reports our financial and non-financial activities and outcomes, both qualitatively and quantitatively, from January 1, 2021 to December 31, 2021. This Sustainability Report presents the major pending issues up to the first half of 2022, as well as a range of quantitative outcomes including our company's outcomes related to the environment, society, and governance for three years, to aid stakeholders in understanding the achievements of our company before the merger of LOTTE Foods on July 1 of 2022.

Reporting Scope

The scope of the report covers domestic and foreign businesses, including Lotte Confectionery headquarters, factories, branches, KAMs, and business sites. In addition, to the minimal extent that our suppliers will be impacted, the performance of some major suppliers is also included in this report.



Reporting Standards

This Report was prepared according to Core Option of the Global Reporting Initiative (GRI) Standards. The issues reported herein have been selected based on materiality tests conducted with the stakeholders, and some major issues on global industry trends have also been selected and included.

Reporting Assurance

This Report has been verified by an independent, third-party verification agency called the Korea Management Registrar ('verifier') in order to secure the reliability of its data and prevent 'greenwashing'. The verifier is a partner of AccountAbility, an international report verification agency, and performed verification by applying a legal process of AA1000AS v3 (2020). The Third-Party Verification Statement of the verifier can be found on pages 84-85.

Contact Us

This Report can be downloaded from the LOTTE Confectionery website (<https://www.lotteconf.co.kr>). Please direct any inquiries to the contact address on the right.

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Leader's Message - CEO



Dear respected stakeholders of LOTTE Confectionery, My name is Young-Gu Lee, and I am the CEO of LOTTE Confectionery.

In 2021, the instability in economic situations was aggravated due to COVID-19, and the stakeholders' interests in corporate sustainability increased rapidly. LOTTE Confectionery made every effort to keep up with the trend of the times and fulfill sustainable management throughout the business by expanding the launch of products that are friendly toward the earth and consumers and establishing the ESG management promotion system that connects the highest decision-making body to the exclusive organization. On July 1 of 2022, we advanced as a general food company by merging with LOTTE Foods and expanding our portfolios across the food business. Through this second Sustainability Report, we would like to disclose the sustainability results of the previous year and thereby mark the new beginning of the new LOTTE Confectionery.

Based on this Report, LOTTE Confectionery will establish three strategic goals to fulfill sustainable growth.

1. We will consider climate change risks across the value chain when promoting business.

LOTTE Confectionery will expand the use of sustainable materials to create products that coexist with the environment, and pursue active R&D and investments to minimize the use of disposable products. In addition, we will strive to minimize the emission of GHG and harmful substances in overall PLC (Product Life Cycle) operation and maximize the eco-friendliness of products to cope with climate change risks.

2. We will actively communicate with all stakeholders.

LOTTE Confectionery will listen to the voices of all internal and external members and reflect their views and feedback in decision-making. We promise our employees that we will continue to build a work environment where safety and diversity are respected, and we will disclose the financial and non-financial management conditions through various channels in an accurate and timely manner.

3. We will become a sustainable leader in the general food market.

We aim to lead the food business by maximizing the synergetic effects through the merger of LOTTE Confectionery and LOTTE Foods, expanding the product groups, and securing new growth engines. Our goal is to provide a sustainable lifestyle throughout the consumers' lifecycle.

2022 marks the 55th anniversary of LOTTE Confectionery's founding. LOTTE Confectionery has reached where it is now through 55 years of changes and challenges, and we will continue to make bold strides forward without fear of change.

Thank you.

LOTTE Confectionery, CEO
Young-Gu Lee

Leader's Message - Chairperson of ESG Committee



Greetings to all stakeholders of LOTTE Confectionery. I'm Deok-Nam Hwang, the Director of the ESG Committee.

Once I became an independent director, I found that I am the first female outsider director of LOTTE Confectionery. I'm honored to share my thoughts with you through the 2021 Sustainability Report as the Director of the ESG Committee.

Since its foundation in 1967, LOTTE Confectionery has been loved by consumers for the delicious foods we offer, and growing proudly as a company for consumers and society. Now we are taking a further step toward being a sustainable company as a global leader.

LOTTE Confectionery established the ESG Committee in August 2021 to fulfill our mission as a global food company to enable the people lead abundant lives based on Sweet ECO (E), Sweet People(S), Sweet Company (G). Guided by the motto 'SWEET ESG Management,' we initiate practical efforts and actions such as the systematization of relevant organizations, issuance of the sustainability report, and the reinforcement of accessibility to ESG management information through the website, to realize sustainable management. As a result, we acquired rating A from the ESG Evaluation by KCGS for three consecutive years.

Many people may not have been familiar with sustainable management represented by economy, society, and governance until recently, but the path we have walked for the last 56 years has headed in the same direction as ESG. Our will to bring our stakeholders and consumers happiness through outstanding products made in a safe environment through the right processes has remained unchanged in all these years.

I believe everyone has given us support and love because LOTTE Confectionery has a good influence on the environment, society, and governance. Thanks to your trust, we will make SWEET ESG into a reality by continuously fulfilling our responsibilities for the environment, society, and the transparency of governance.

Thank you.

LOTTE Confectionery, Director of ESG Committee
Deok-Nam Hwang

Company Overview

Company Overview

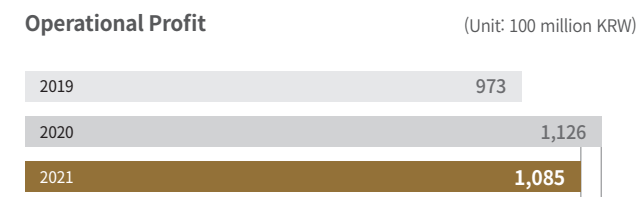
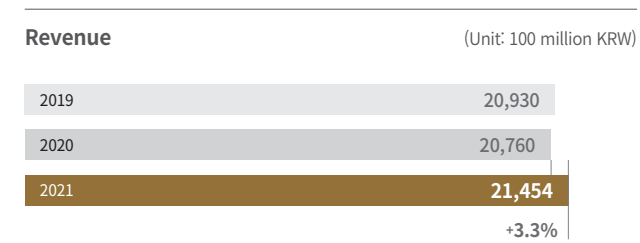
LOTTE Confectionery has been contributing to the development of the Korean food industry, focused on the confectionery and bakery business, since its foundation in 1967. By acquiring LOTTE Foods on July 1 of 2022, we plan to grow as a global general food company through active advancement to overseas markets and the offering of products in various categories across the lifecycle. We aim to increase our corporate and brand value by flexibly responding to changes in the business environment while concentrating on our core competencies.

Company Name	LOTTE Confectionery Co., Ltd.	Key Business	Food manufacturing and selling business
Date of Establishment	April 3, 1967 (Corporate Division on October 12, 2017)	Major Shareholder	LOTTE Corporation (48.42%)
President and CEO	Dong-Bin Shin, Young-Gu Lee	Number of Employees	4,349 persons (as of the end of 2021)
Head Office	10, Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul	Branch/ Corporation	• 7 domestic plants, 18 branches, • 9 overseas corporations, 20 plants

* Achievements above based on the annual business report for 2021

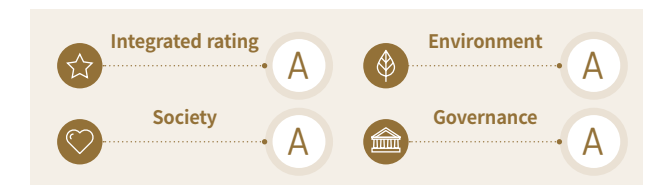
Three-Year Business Performance

LOTTE Confectionery recorded sales of KRW 2145.4 billion based on the 2021 Consolidated Financial Statement, achieving 3.3% sales growth compared to the previous year. We are improving profitability by increasing the efficiency of our manufacturing and sales processes continuously. LOTTE Confectionery has maintained an A rating in the ESG Evaluation by KCGS and a B rating in the ESG Evaluation by MSCI for three years in a row. LOTTE Confectionery will continue to build trust by prioritizing the values of sustainable management considering the environment, society, and governance.



* Achievements above based on the annual business report for 2021 -3.6%

ESG Evaluation Results by KCGS



Year	Integrated rating	Environment	Society	Governance
2021	A	A	A	A
2020	A	A	A+	B+
2019	A	A	A	B+

Business Site Status in Korea

LOTTE Confectionery produces confectionery and bakery products at 7 plants (4 dedicated to confectionery & ice cream, and 3 bakeries) around the country, delivered to consumers via a business network that extends throughout the country. As of the end of June 2022, we are operating 15 distribution centers, 18 branches, 89 offices, and 8 KAMs (new distribution offices).

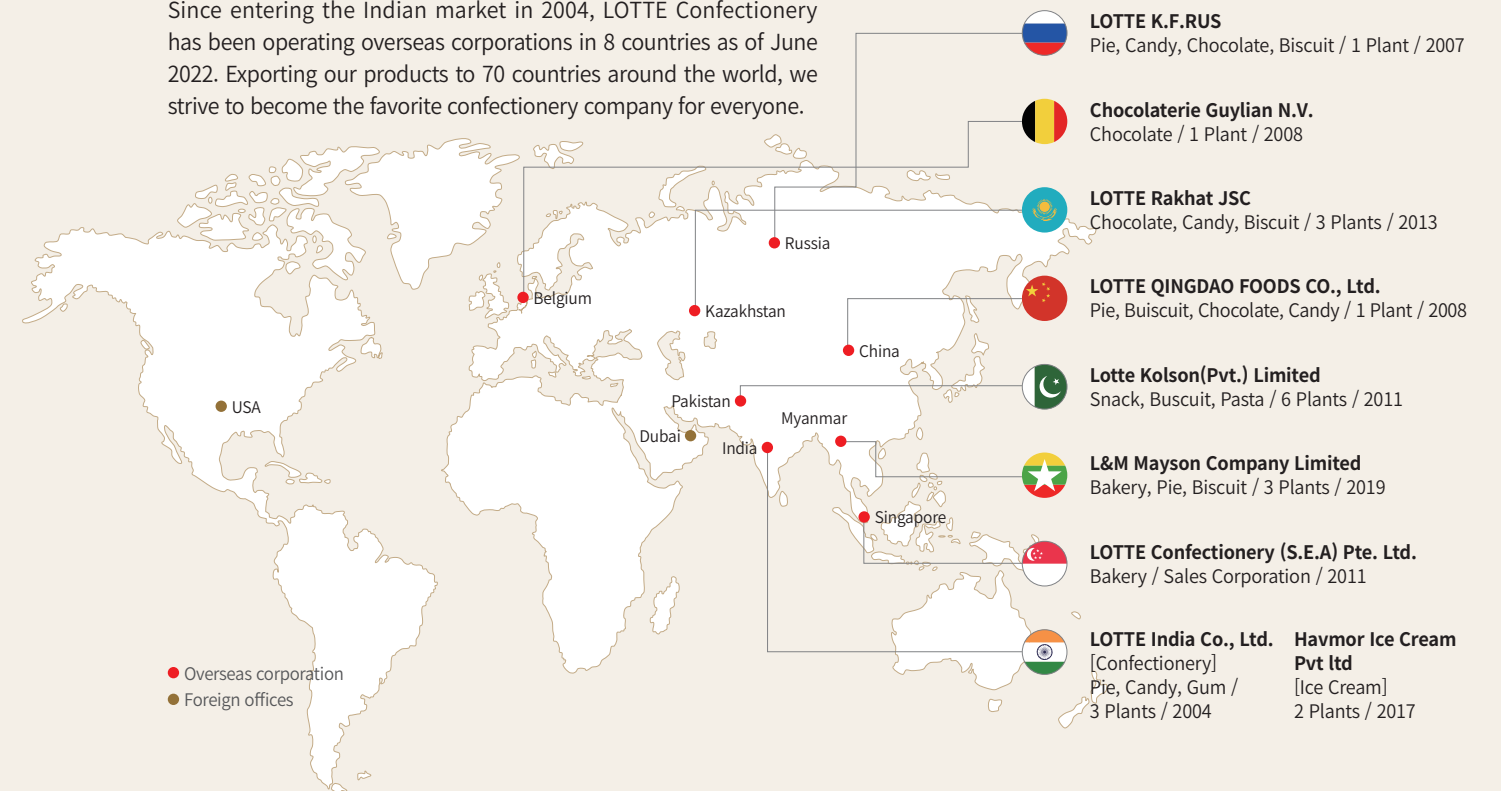
Status of Plants and Logistics Centers

Plant	Confectionery & Ice Cream: Yeongdeungpo, Yangsan, Pyeongtaek, Daejeon Bakery: Busan, Suwon, Jeungpyeong	7 sites
Logistics Center	Confectionery & Ice Cream: Kwangmyeong, Kangnenug, Honam Confectionery: Bundang, Bubal, Euiwang, Daegu, Gimhae Ice Cream: Icheon, Pyeongtaek, Chungcheong, Kyeongbuk, Busan North, Kyeongnam, Bubal	15 sites
Total		22 sites



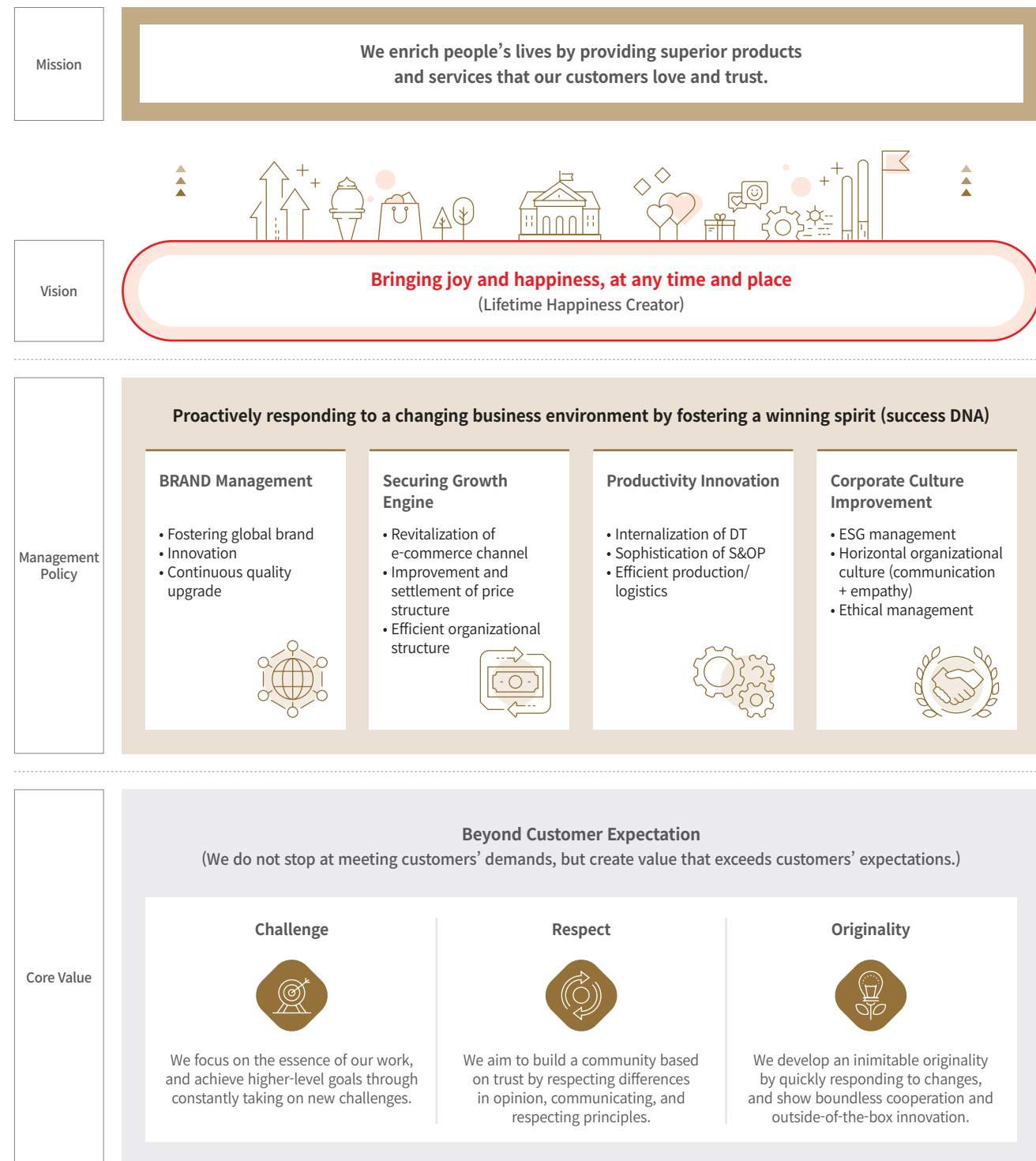
Global Business

Since entering the Indian market in 2004, LOTTE Confectionery has been operating overseas corporations in 8 countries as of June 2022. Exporting our products to 70 countries around the world, we strive to become the favorite confectionery company for everyone.

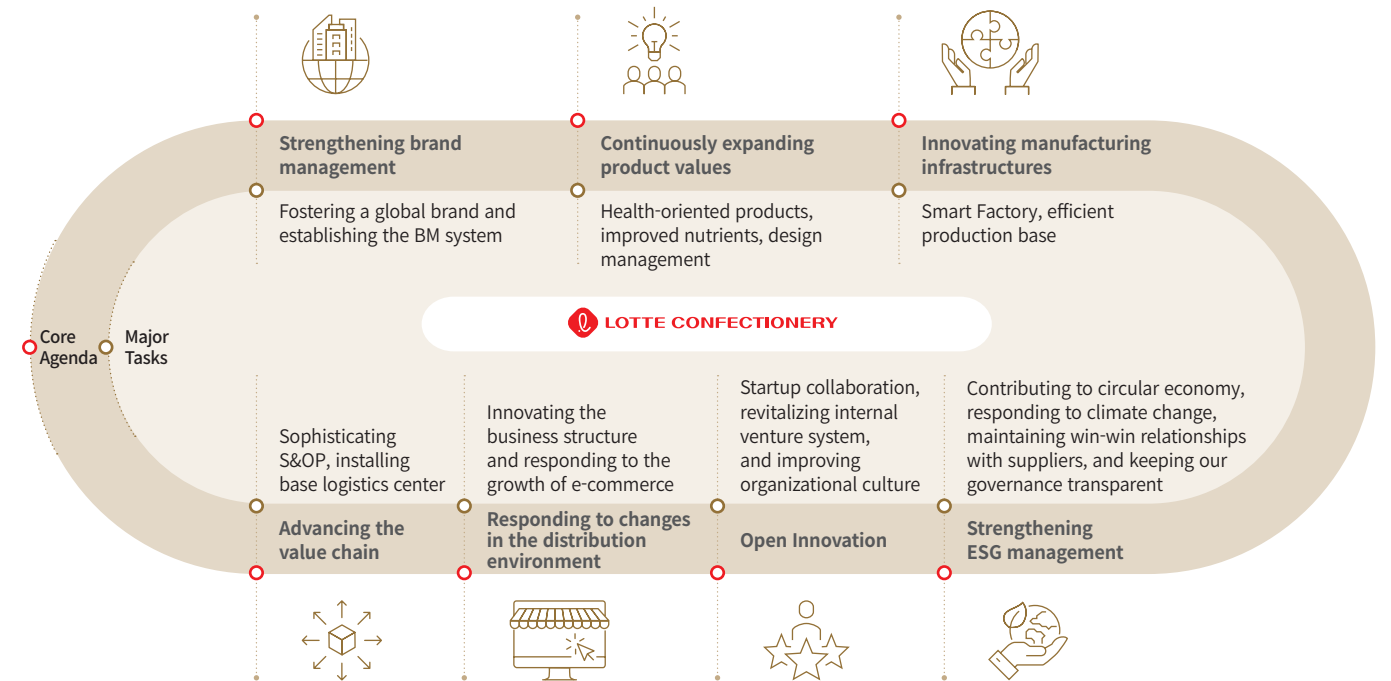


Company Vision

'Lifetime Happiness Creator' means that LOTTE Confectionery presents the greatest values to its customers through providing sustainable products throughout the life cycle. As we proactively respond to a changing business environment, we will do our best to build a company that grows continuously with society.

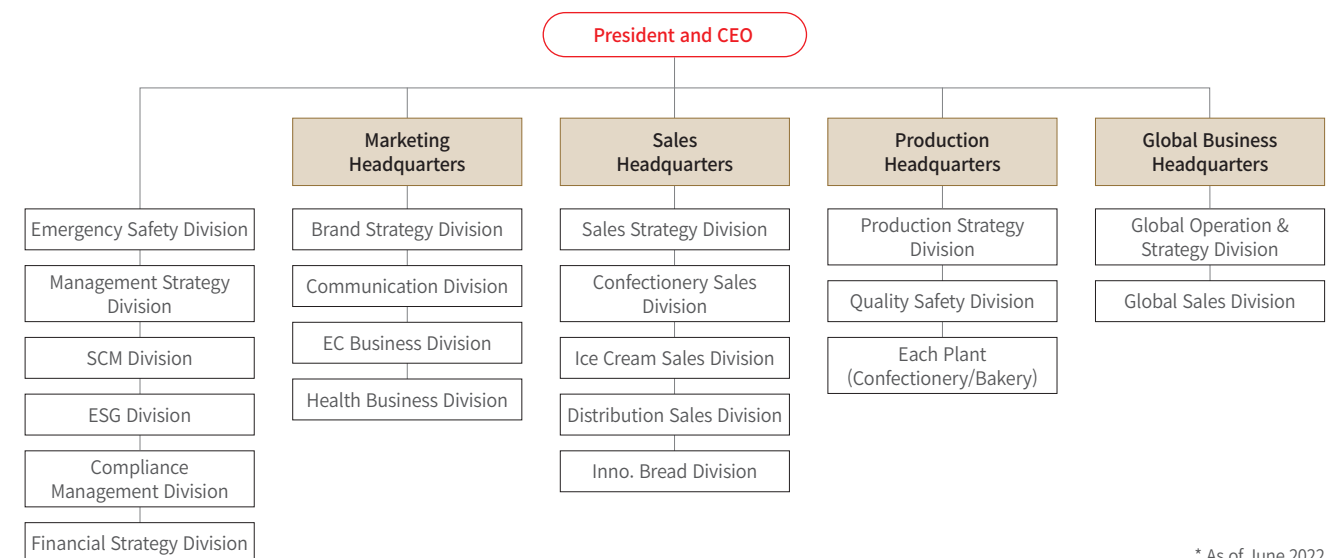


Mid-to-Long term Growth Project



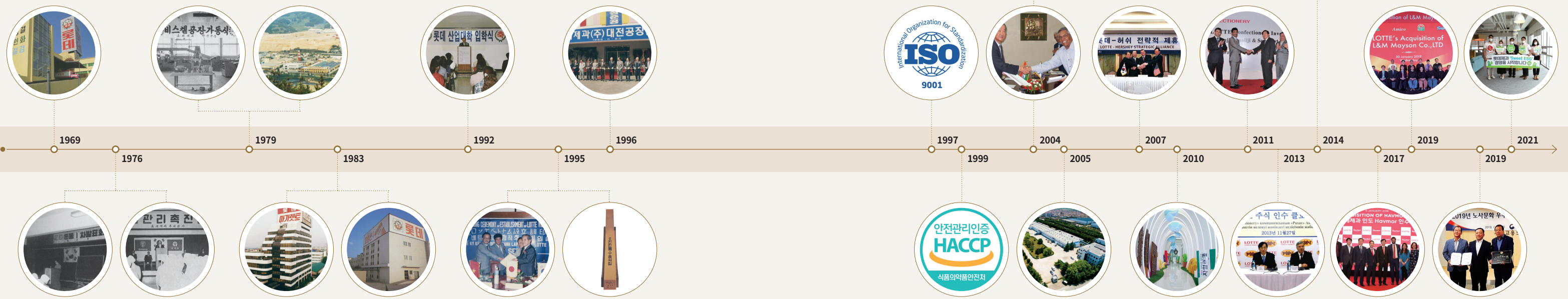
Organization

LOTTE Confectionery runs its businesses within an organizational system that consists of 4 headquarters and 19 divisions. Notably, we formed a dedicated ESG organization in May 2021, and our Management Support Division was transformed into our ESG Division in November 2021 to promote active and practical ESG management.



* As of June 2022

Growth History



1967~1976	1977~1986	1987~1996	1997~2006	2007~Present
Beginning Stage	External Growth	Global Market Entry and Market Innovation	Expansion of Global Management	Sophistication of Quality and ESG Management
<p>1967 • Founded LOTTE Confectionery Co., Ltd. • Founded Labor Union</p> <p>1969 • Completed construction of Yeongdeungpo Plant</p> <p>1971 • Implemented first direct sale system in the confectionery industry</p> <p>1973 • Initial public offering (capital of KRW 1.32 billion) and listing</p> <p>1976 • Conducted Zero Defects (ZD) Movement</p>	<p>1977 • Entered the ice cream market</p> <p>1979 • Founded Yangsan Plant</p> <p>1983 • Relocated the head office building to Yeongdeungpo, founded LOTTE R&D Center, founded Pyeongtaek Plant • Established the Jeddah Office in Saudi Arabia</p> <p>1984 • Finalized the plan to promote the Total Quality Control (TQC) Movement • Established the LA Office in the United States</p> <p>1985 • Designated as the official confectionery company for the 1986 Seoul Asian Games and 1988 Seoul Summer Olympics</p>	<p>1989 • Received the 10 Million Dollars Export Tower on the 26th Trade Day</p> <p>1992 • Founded LOTTE Confectionery Industrial College (Industrial Education Institute)</p> <p>1995 • Received the 50 Million Dollars Export Tower on the 32nd Trade Day • Founded LOTTE Vietnam Co., Ltd.</p> <p>1996 • Implemented Process Innovation (PI) activities • Established Daejeon Plant</p>	<p>1997 • Acquired first quality management system (ISO9001) certification in confectionery industry</p> <p>1999 • Operated integrated information system for Process Innovation (PI) activities • Became first in the confectionery industry to acquire Hazard Analysis and Critical Control Points (HACCP)</p> <p>2002 • Selected as a company with an excellent labor-management culture (Yeongdeungpo Plant)</p> <p>2004 • Became first in the confectionery industry to acquire environmental management system (ISO14001) certification • Took over Parrys in India and became the first in the confectionery market to enter the Indian market</p> <p>2005 • Founded a local corporation in China (LOTTE Qingdao Foods co.,LTD.)</p>	<p>2007 • Signed strategic partnership with The Hershey Company in the United States • Founded a local corporation in Russia (LOTTE KF RUS KALUGA LLC) • Became first in the confectionery industry to establish a Consumer Complaint Management System (CCMS)</p> <p>2008 • Took over Guylian in Belgium</p> <p>2009 • Became first in the confectionery industry to acquire children's favorite food quality certification • Merged Kirin Company</p> <p>2010 • Relocated the head office building (LOTTE Yangpyeong Building) • Food safety management system (ISO22000) certification • Opened 'Sweets Factory' as an experiential sweets museum</p> <p>2011 • Took over Kolson in Pakistan • Small-scale merger of LOTTE Pharm and spun off 'Natuur' business</p> <p>2012 • Food safety system (FSSC22000) certification</p> <p>2013 • Started a social contribution campaign titled, 'Delicious Sharing and Warm World' - Launched Dr. Xylitol Bus and built the 1st branch of Sweet Home • Took over Rakhat in Kazakhstan</p> <p>2014 • Selected as a company with an excellent labor-management culture • Merged LOTTE Boulangerie</p> <p>2015 • Exceeded cumulative overseas sales of KRW 5 trillion</p> <p>2016 • Exceeded cumulative gum sales of KRW 4 trillion</p> <p>2017 • Underwent spinoff and re-listing, 50th anniversary • Took over HAVMOR in India</p> <p>2018 • Handed over Natuur business (taken over by LOTTE GRS)</p> <p>2019 • Took over Mayson in Myanmar • Selected as a company with excellent labor-management culture by the Ministry of Employment and Labor</p> <p>2021 • Declared Sweet ESG Management of LOTTE Confectionery • Safety and Health Management System (ISO45001) Certification</p> <p>Jan. 2022 • Published 'Sweet ESG', the first sustainability report of LOTTE Confectionery</p> <p>Jul. 2022 • Acquired LOTTE Foods</p>

Brand Overview

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Our Business

Confectionery Business

According to Nielsen Korea, LOTTE Confectionery maintained the No. 1 market share of 25.9% in the Korean confectionery market in 2021, including gum, candy, chocolates, biscuits, pies, and snacks. While enhancing our mega-brand value to secure continuous market competitiveness, we release health-oriented products that reflect customer needs, and differentiated products that offer new textures. In addition, we are actively promoting global brand-building activities to expand our business scope to overseas markets.

Xylitol

LOTTE Xylitol is a smart habit for our precious teeth. This gum contains 100% Finnish xylitol, and has brought innovation to the market since its release.



Pepero

Pepero is long, thin cookies coated with various kinds of chocolate. Pepero offers consumers the pleasure of choosing different tastes. On November 11 of each year, Pepero Friends are messengers that deliver good wishes of people around the world.



Ghana

Ghana is a chocolate product released in 1975. This chocolate has the deep and soft taste of cacao beans (main ingredient) imported from Ghana and high-quality cacao butter.



Kokkal Corn

Kokkal Corn with a delicious crunch and a unique savory taste of corn, a crispy texture, and a stylish shape has maintained nationwide popularity since 1983.



Custard

This is a soft cake made with fresh domestic milk and eggs and filled with custard cream! Custard is a leading snack product in South Korea that offers nourishment and is loved by people of all ages.



Mon Cher

Mon Cher is a premium chocolate dessert that combines soft, whipped cream and sweet milk chocolate into a cake.



Our Characters

LOTTE Confectionery makes its products more familiar to consumers using characters that reflect individual tastes and characteristics.

Introduction of Pepero Friends

Pepero Friends are stylish chocolate snack characters that imitate different Pepero tastes. People can share their feelings with others from a distance using Pepero Friends.



Introduction of Malang

'Malang' is a popular mascot character for 'Malang Cow,' a soft candy product that has been consistently popular since its release in 2013. Malang loves to dance to music and express her emotions through physical movement. Malang can be whimsical at times, but her optimistic personality lightens the mood.



Three-year Award History of Pepero Friends

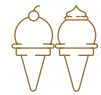
Won Main Prize at the 2020 German iF Design Award
 Won Main Prize at the 2019 German Red Dot Design Award in Brand & Communication Design Division



Introduction of Kani & Choni

Kani & Choni are characters that resemble 'Kanchi,' a cute, bite-sized chocolate snack. 'Kan' derives from the word Khan, meaning the king of chocolate snacks, and 'Cho' comes from the word chocolate.





Ice Cream Business

According to Nielsen Korea, LOTTE Confectionery maintained the No. 1 market share of 30.8% in the Korean ice creams market in 2021. beloved by consumers for products with outstanding quality and concepts. LOTTE Confectionery has recently launched a health-oriented line of 'zero-sugar' products. In addition, our premium ice cream brand 'Nàtuur' is driving the ice cream culture of South Korea.

World Cone

World Cone has been a leader of cone ice cream products in Korea with unusual taste and size, ever since its release in 1986.



I'm MoChi (Rice Ice Cake)

I'm MoChi (Rice Ice Cake) is soft and sweet ice cream inside chewy glutinous rice, and is loved by people of all ages.



Snow Ice

The convenient pouch package of Snow Ice contains a soft yet deep milkshake that is as white as clean snow.



Screw Bar

Screw Bar, still widely loved for its addictive jingle, is Korea's representative ice cream where you can enjoy the freshness of strawberries and apples in a twists and swirls.



Double Bianco

Double Bianco is a unique cone ice cream where you can enjoy fresh strawberry syrup, vanilla ice cream, and apple sherbet all together.



Nàtuur

Launched for the first time in Korea in 1998, Nàtuur is a premium ice dessert brand that offers the rich tastes of nature for healing. It delivers a soft texture and rich flavor thanks to its premium natural ingredients, low air content, and high milk fat content.



Bakery Business

The bakery business of LOTTE Confectionery pursues a premium bakery that provides the best quality and reflects the latest customer trends. Consumers love our bakery business for working in cooperation with popular regional bakeries, making vegan products, and producing diverse themes to reflect new lifestyles.

Bonespe

- Regional Bakery Cooperation Project

LOTTE Confectionery collaborates with regional bakeries to bring delicious and healthy premium local bread to more consumers.



V-Bread

We only use plant ingredients to make delicious bread that can support the health of everyone, including the planet.



Fresh Bread

Our Fresh Bread is a line of make-at-home breads that feature fermented, frozen ingredients that maintain their natural taste through outstanding technologies. All you need is an air fryer to enjoy freshly baked premium bread at home.



Health Business

The Health Business Division of LOTTE Confectionery released 'LOTTE Health One' as a functional health food brand in 2002 to keep pace with the rise of social trends stressing health. By making various health food products like protein, red ginseng, and beauty products, LOTTE Confectionery helps consumers enjoy a healthy and balanced lifestyle.

Colostrum Protein 365 Plus

Colostrum Protein 365 Plus is a colostrum protein brand that won the 2022 Korea First Brand Awards. It is designed with a perfect balance between premium natural foremilk from France and seven digestive enzymes.



Hwangjak

This premium red ginseng brand was ranked no. 1 for customer confidence in 2021. We have premium red ginseng products made only of carefully selected 6-year-old red ginseng produced in Korea, such as Hwangjak Red Ginseng Extract, Hwangjak Red Ginseng Stick, and Hwangjak Red Ginseng Jelly.



Health One

This integrated functional health food brand of LOTTE Confectionery offers a comprehensive healthcare solution for collagen and omega-3.



ESG Strategy

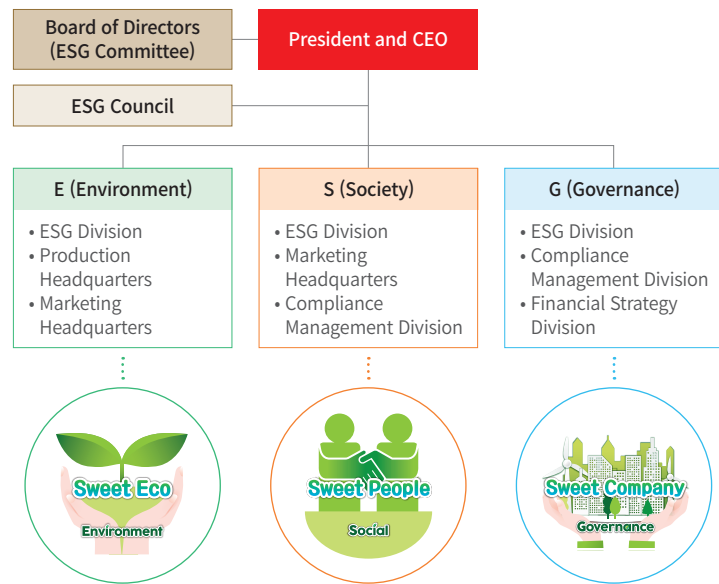
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ESG Management Strategy and System

ESG Promotion System and Organization

LOTTE Confectionery has developed a management system that allows it to promote ESG activities in an organized manner. The ESG Committee was established as the highest ESG decision-making body in August 2021, with an independent director appointed as the chairperson. We operate the ESG Council, chaired by the CEO, to enhance the ESG executive ability of each division. Furthermore, the ESG Division was newly established in November 2021 to manage and mediate general ESG affairs.



LOTTE Confectionery ESG Management Declaration

As a global leading food company, LOTTE Confectionery declares that it will practice LOTTE Confectionery's "Sweet ESG Management" as follows to provide sustainable enjoyment and happiness to all stakeholders with a sense of mission to improve the environment (E), society (S), and governance (G):

Sweet ECO

It will introduce eco-friendly technologies based on 5RE (Reduce, Replace, Recycle, Redesign, Reuse), actively participate in the use of new and renewable energy, and transition to carbon neutrality.

- It will strive to achieve carbon neutrality by 2040 and realize RE100 using all its power source from renewable energy.
- It will strive to reduce greenhouse gas emissions by 30% compared to BAU* by 2030.
- It will strive to reduce the amount of plastic used in product containers/tray by 25% or more by 2025.
- It will strive to convert all commercial vehicles into eco-friendly vehicles by 2025, achieving EV100.

Sweet People

It will listen to the voices of not only customers but also partners, executives and employees, and community members, and continue to fulfill social responsibility in an empathetic and mutually-beneficial manner.

- It will strive to expand social contribution activities such as Sweet Home/School and Dr. Xylitol Bus and campaign activities for a better society
- It will strive to recognize the diversity of executives and employees, give equal opportunities, and to create a horizontal organizational culture.
- It will strive to advance the shared growth program and continue to develop mutually-beneficial activities with partners.

Sweet Company

It will become an exemplary ESG management company trusted by stakeholders (shareholders) by establishing a sound governance structure, complying with regulations, and transparently disclosing corporate information.

July 20th, 2021
CEO of LOTTE Confectionery

* BAU: Business As Usual (proceeding with the current trend without intentional reduction efforts)

ESG Promotion Strategy

LOTTE Confectionery is carrying out ESG promotion strategies based on the three topics of Sweet Eco, Sweet People, and Sweet Company to fulfill its role as a company creating sustainable value. To strengthen the driving force for ESG management and provide performance compensation accordingly, LOTTE Confectionery reflects the ESG content in the CEO performance evaluation according to the promotional strategies of the LOTTE Group.



Major ESG Outcomes for Three Years

2019

First Korean confectionery industry to acquire ISO37001 (Anti-Bribery Management System)

Certified by the Ministry of Employment and Labor as a company with an excellent labor-management culture

Certified by the Ministry of Gender Equality and Family as a family-friendly company

Implementation of Smart Recycle Package

2020

Sponsored products for COVID-19 medical staff

Opened Sweet School No. 1

Acquired green certification for Margaret

Signed an MOU to commemorate UN Veterans with the Busan Office of the Ministry of Patriots and Veterans Affairs and Namgu District in Busan

2021

Switched all business vehicles to electric vehicles (~2025)

Declared ESG management and established ESG Committee

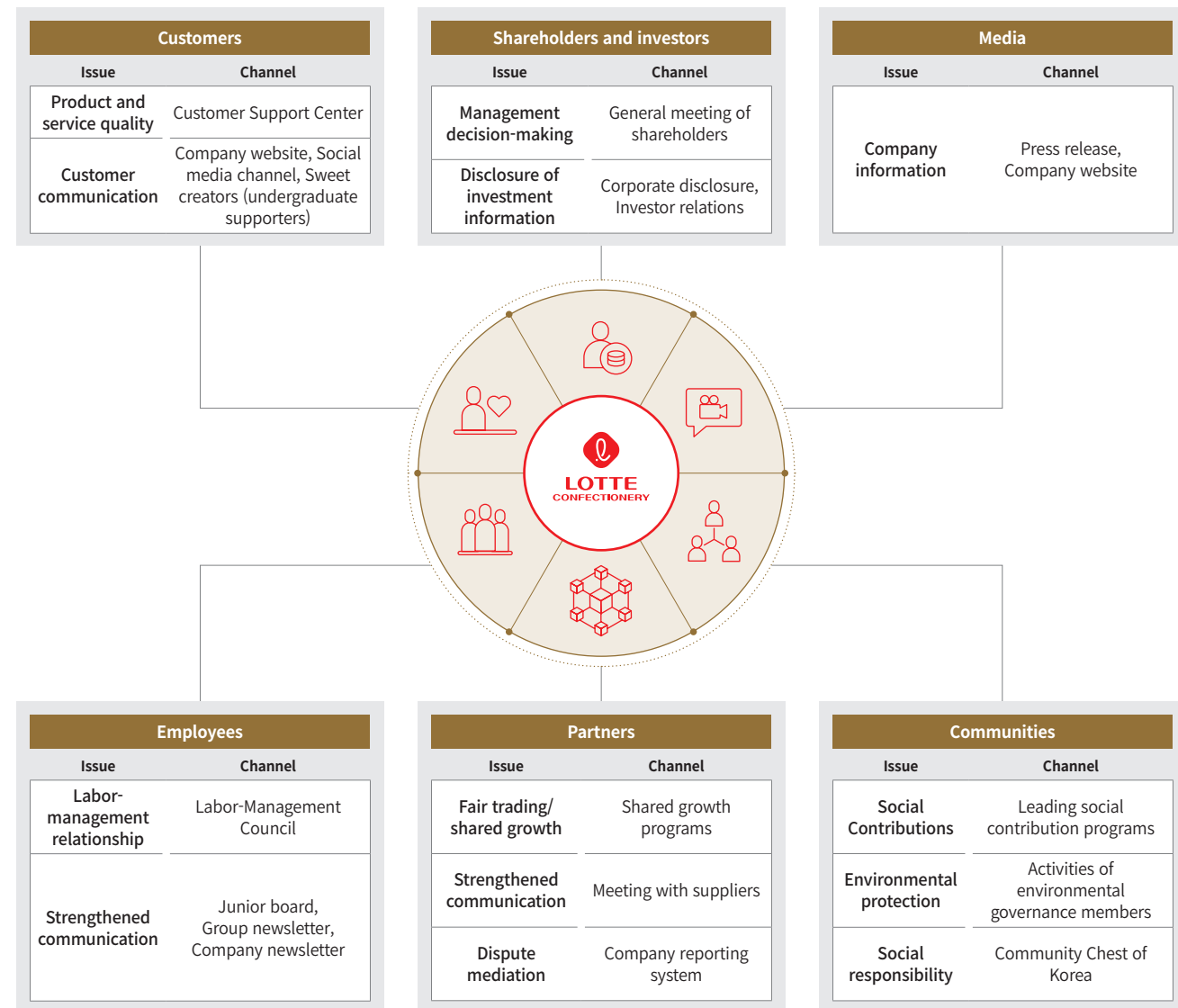
Signed an MOU with Hansol Paper to develop cacao byproduct packing materials and eco-friendly packaging

Head office and all plants acquired ISO45001 (Safety and health management system)

Participation of Stakeholders and Materiality Assessment

Participation of Stakeholders

LOTTE Confectionery runs diverse online and offline communication channels for different stakeholder groups to monitor the expectations of stakeholders regarding major issues, so that these can be reflected in our business activities.



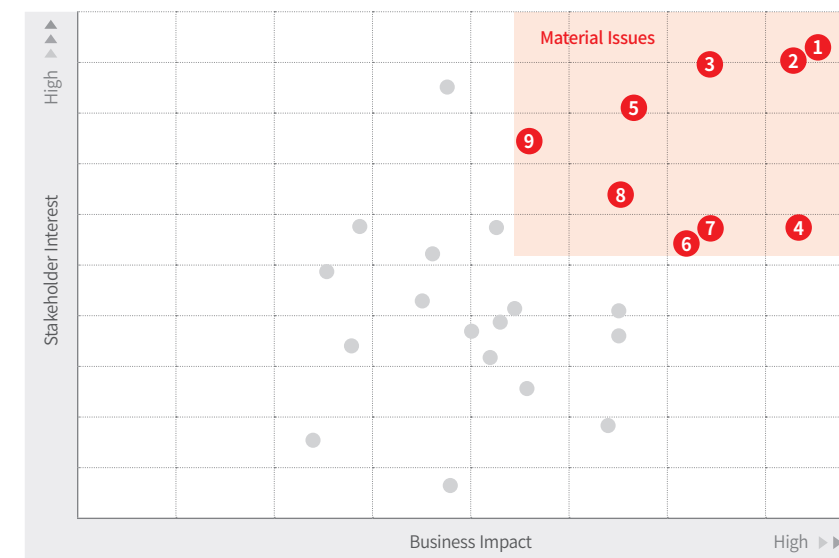
Materiality Assessment

LOTTE Confectionery performs a materiality assessment each year to select issues that its stakeholders regard as important. LOTTE Confectionery created a pool of stakeholder issues based on the sustainability report standard called the Global Reporting Initiative (GRI), social responsibility standard of ISO26000, global standards like the SDGs, and external stakeholders' requirements like MSCI and DJSI. The materiality assessment was carried out over a period of about three weeks, from September 13 to October 6. Based on a materiality assessment derived from media research, business benchmarking, internal strategy and policy issue analysis, and internal and external surveys, we have selected nine material issues out of 26 issues. LOTTE Confectionery aims to transparently disclose the selected issues through the Sustainability Report, which covers the main activities and achievements from 2021 to the first half of 2022.

Assessment Process



Materiality Assessment

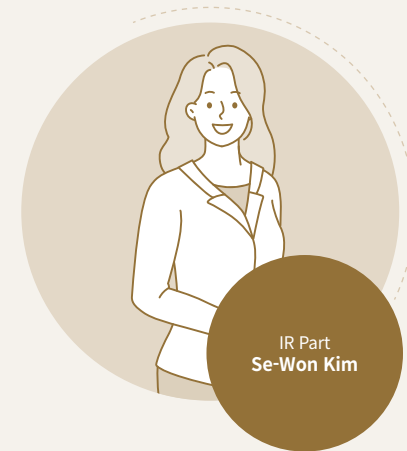


- Response to climate change
- Management of water usage
- Observation of labeling responsibility
- Expansion of global competitiveness
- Management of company-wide risks
- Diversification of economic value creation
- Reinforcement of supply network cooperation of the industry
- Social contribution using characteristics of the industry
- Response to mega trend change
- Advancement of human rights management
- Energy management and reduction
- Management of customer satisfaction
- Advancement of environmental management system
- Establishment of advanced organizational culture
- Revitalization of stakeholder communication
- Expansion of employee empowerment support
- Securing diversity and fairness

Category	Material Issues	ESG Framework	Page of Report
1	Development of products considering sustainability	E	33
2	Responsible management of raw materials	S	35
3	Sustainable supply chain management	S	50-52
4	Reinforcement of ethical compliance management	G	60-63
5	Enhancement of product safety	S	40-41
6	Safety and health management	S	44
7	Establishment of sound governance	G	58-59, 63-65
8	Development of products and services considering health	S	42-43
9	Expansion of contribution to circular economy	E	31-33

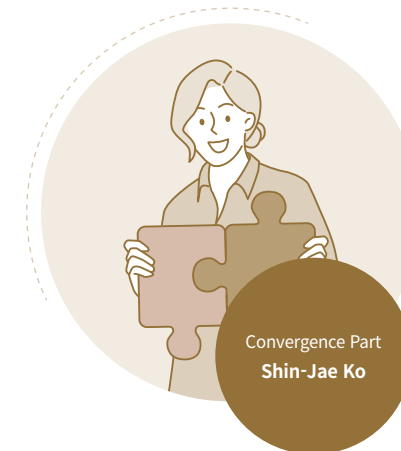
Employee and Stakeholder Interviews

I believe IR is part of ESG management and a means of ESG management at the same time in the sense that it shares information regarding management performance and business issues of a company quickly and transparently. The IR Team of LOTTE Confectionery hosts a quarterly performance briefing session supervised by the management and strives to quickly provide the information investors require for making their investment decisions. We also plan to strengthen domestic and overseas communication by actively carrying out meetings with overseas investors, which had been restricted due to the effect of COVID-19. The goal is to communicate actively with shareholders and stakeholders, beyond the limits of financial and non-financial corporate information.



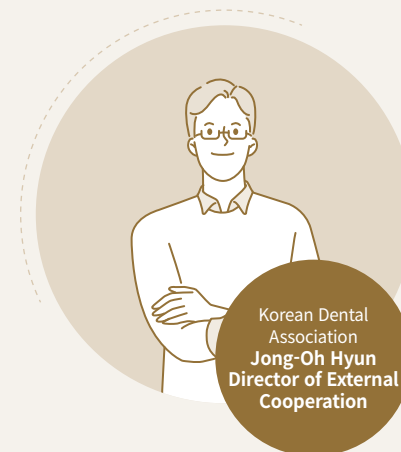
I've felt rewarded operating the internal venture 'Sweet Lab' at LOTTE Confectionery since 2021. I feel proud that I'm leading the way to create a flexible and innovative organizational culture by supporting employees to build their business careers with creative ideas beyond existing work. In this regard, the mobile game "Cat's Garden," which was finally selected through the first internal venture and launched using the company IP, is getting good feedback from many users, and we are very passionate about future venture projects. I will work hard for 'Sweet Lab' to become the new growth engine of LOTTE Confectionery through employees' engagement, collaboration between internal ventures of affiliates, and substantial support.

LOTTE Confectionery conducts research and investments actively to realize Net-Zero and RE100, the biggest topic of ESG management. We calculate GHG emissions and select estimated reduction targets annually, and respond proactively to risks related to GHG emission trading regulations. As most of the energy consumption and GHG emissions occur at the manufacturing plants, we continue to invest in and bring high-efficiency facilities and establish eco-friendly business places by reviewing the introduction of renewable energy in many ways. Furthermore, we will upgrade the Net-Zero roadmap while managing carbon emissions at the level of the supply chain.



'Zero' is a product brand made without sugar by incorporating 'Healthy Pleasure,' the latest hot topic in the food and beverage industry. In a survey we conducted for branding during product development, 27% of the consumers answered they cut down on sweets for health concerns. Discovering consumers' needs has helped me to focus on developing 'Zero' products when it wasn't so easy. We were able to launch delicious sweets with zero sugar, breaking the stereotyped notion that sweets are bad for health. I will continue to lead the 'Zero' brand to make the product range friendly and easy to approach based on better quality and various lineups.

As part of the MOU between LOTTE Confectionery and Hansol Paper signed in August 2021 for developing an eco-friendly package, I worked on applying the Protego (eco-friendly paper with high protection and preservability) material to the packaging of the product, 'Jellycious Zero Fruits Jelly.' There were many hurdles in adopting a new packaging material, but I solved it successfully based on ideas I had while working with LOTTE R&D Center and LOTTE Aluminum. Most of all, I believe it was LOTTE Confectionery's firm will to introduce the green packaging and close cooperation with our company that brought such a successful outcome. I would like to thank everyone who devoted themselves to the project during the past year after many trials and errors.



Quality dental service is possible when the right treatment environment is prepared with a qualified doctor and good medical supplies. In this sense, the 'Dr. Xylitol Bus' campaign using the profits generated from LOTTE Confectionery's representative product 'Xylitol,' is an excellent business model for creating a quality medical environment and providing satisfactory treatment to patients in need. It is not so easy to find areas to provide treatment services every month, but it is quite exciting to welcome the 10th year, marking the 100th session as of August 2022. Based on continued collaboration with the Korean Dental Association, I hope this campaign will reach more people and spread good influences through various new media other than only SNS or news.

Sustainable Development Goals (SDGs)











Implementation of SDGs by LOTTE Confectionery

LOTTE Confectionery supports the 17 UN SDGs, using them as the standards for conducting business activities to practice each goal.

<p>Eradication of poverty </p> <p>Related Activities</p> <ul style="list-style-type: none"> Product donation to the FoodBank 	<p>Elimination of hunger, nutritional improvement, sustainable agriculture </p> <p>Related Activities</p> <ul style="list-style-type: none"> Zero Project Beyond Sweet Product donation to the FoodBank 	<p>Guarantee of healthy life and enhancement of welfare </p> <p>Related Activities</p> <ul style="list-style-type: none"> Operation of Health & Safety Management System (ISO45001) Sponsorship to healthcare workers working with the vulnerable population (Dr. Xylitol Bus) Continual improvement of welfare system for employees Operation of labor union (collective agreement)
<p>High-quality education </p> <p>Related Activities</p> <ul style="list-style-type: none"> Operation of Sweet Home and Sweet School Operation of online snack-play class, 'Yummy Lab' 	<p>Gender equality </p> <p>Related Activities</p> <ul style="list-style-type: none"> Operation of workplace daycare center Operation of parental leave system 	<p>Sanitation of drinking water </p> <p>Related Activities</p> <ul style="list-style-type: none"> Management of water usage Operation and management of wastewater treatment facility
<p>Guarantee of energy access </p> <p>Related Activities</p> <ul style="list-style-type: none"> Introduction of business EV and participation in K-EV100 Investment into infrastructure for energy consumption reduction 	<p>Stabilization of employment and economic growth </p> <p>Related Activities</p> <ul style="list-style-type: none"> Hiring through an open and frequent recruitment process Operation of a business site with people with disabilities, 'Sweet With' 	<p>Construction of social infrastructures and promotion of industrialization </p> <p>Related Activities</p> <ul style="list-style-type: none"> Investment into infrastructure for energy consumption reduction Operation of Sweet Home and Sweet School
<p>Reduced inequality </p> <p>Related Activities</p> <ul style="list-style-type: none"> Operation of Sweet Home and Sweet School Sponsorship to healthcare workers working with the vulnerable population (Dr. Xylitol Bus) 	<p>Sustainable city </p> <p>Related Activities</p> <ul style="list-style-type: none"> Continuation of community networking (Sweet Home, Sweet School, Dr. Xylitol Bus) 	<p>Sustainable consumption and production </p> <p>Related Activities</p> <ul style="list-style-type: none"> Introduction of eco-friendly packaging (Sweet Eco 2025) Operation of 'Zero,' zero-sugar brand
<p>Response to climate change </p> <p>Related Activities</p> <ul style="list-style-type: none"> Introduction of business EV and participation in K-EV100 Participation in and management of carbon emission trading system Investment in energy-reducing equipment Introduction of eco-friendly packaging (Sweet Eco 2025) 	<p>Facilitation of a peaceful and embracing society </p> <p>Related Activities</p> <ul style="list-style-type: none"> Development of compliance system, introduction of ISO37001 Shared growth indicator evaluation (support on suppliers) 	<p>Revitalization of global partnerships </p> <p>Related Activities</p> <ul style="list-style-type: none"> Operation of overseas corporation in 8 countries Technical exchange with global food companies (PepsiCo, LOTTE Japan, etc.)

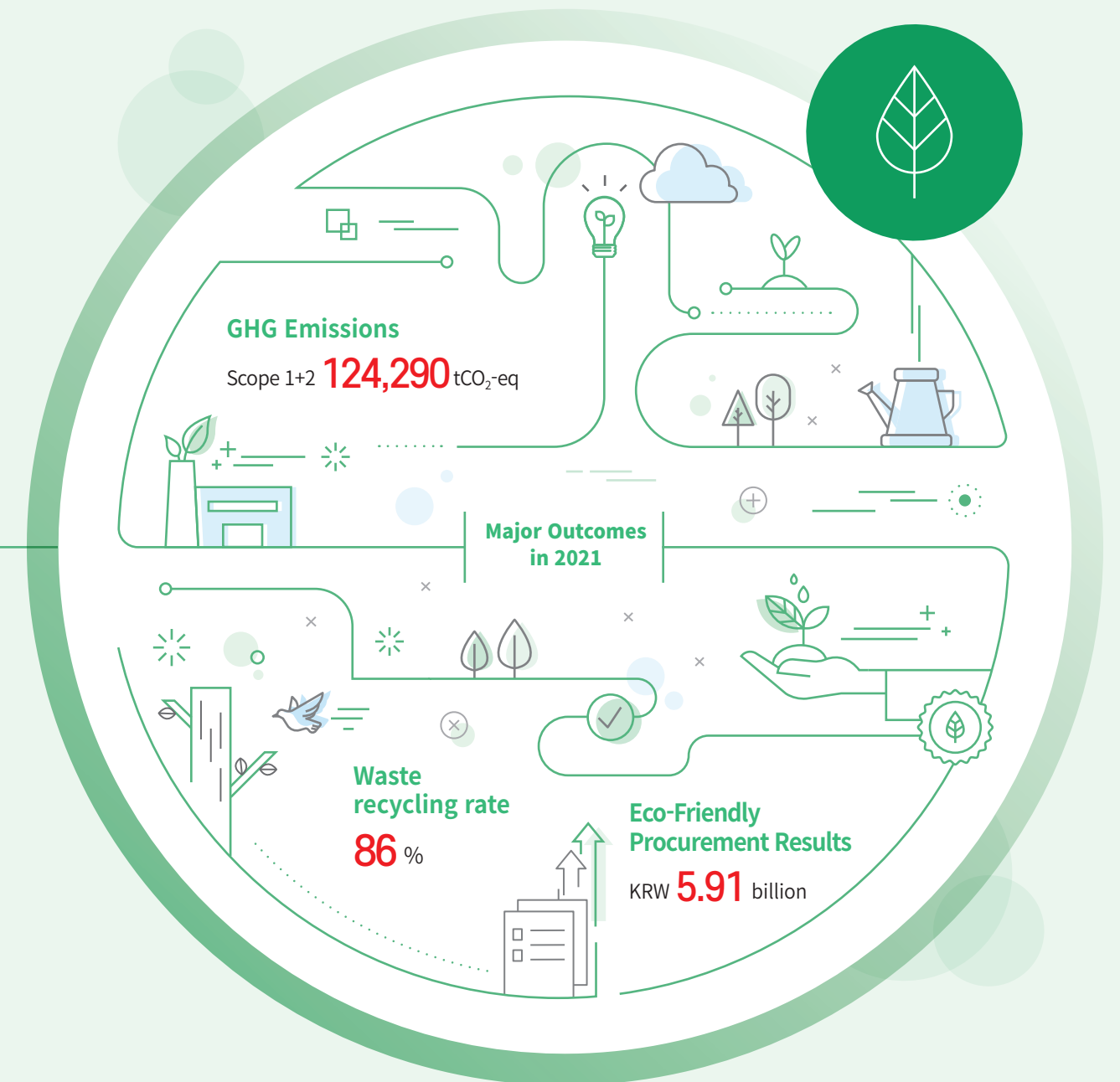
LOTTE Confectionery's SDGs Promotion Strategy

LOTTE Confectionery prioritizes its ESG promotion strategy of Sweet Eco, Sweet People, and Sweet Company in all of its businesses and projects.

ESG Promotion Strategy	Task According to Strategy	Task Description	Connection with UN SDGs
 <p>Sweet Eco Sustainable environment</p>	Response to climate change	<ul style="list-style-type: none"> Reduction of GHG emissions by 30% compared to BAU in 2030 Achievement of carbon neutrality by 2040 	
	Contribution to circular economy	<ul style="list-style-type: none"> Expanded development of recyclable and reusable packaging Increased use of recycled packaging 	
	Construction of eco-friendly business site	<ul style="list-style-type: none"> Reduction of water emissions and expansion of recycling Reduction of wastes produced and expansion of recycling Protection of diversity of species near business sites 	
 <p>Sweet People Health and happiness of all stakeholders</p>	Formation of sustainable supply chain	<ul style="list-style-type: none"> Identification of raw materials transparency and environmental impact Identification and removal of human rights risks during production 	
	Reinforcement of consumers' health	<ul style="list-style-type: none"> Improvement of nutritional value and reduction of harmful ingredients Expansion of vegan, ketogenic, and organic farming product lineup 	
	Construction of eco-friendly business site	<ul style="list-style-type: none"> Effective Operation of Healthy and Management System and zero-disaster Zero claims 	
 <p>Sweet Company Operation of sound company</p>	Compliance/ethical management	<ul style="list-style-type: none"> Zero corruption risk 	

Environmental Sustainability

- 30 Environmental Management System
- 31 Circular Economy
- 34 Response to Climate Change
- 36 Eco-friendly Business Site

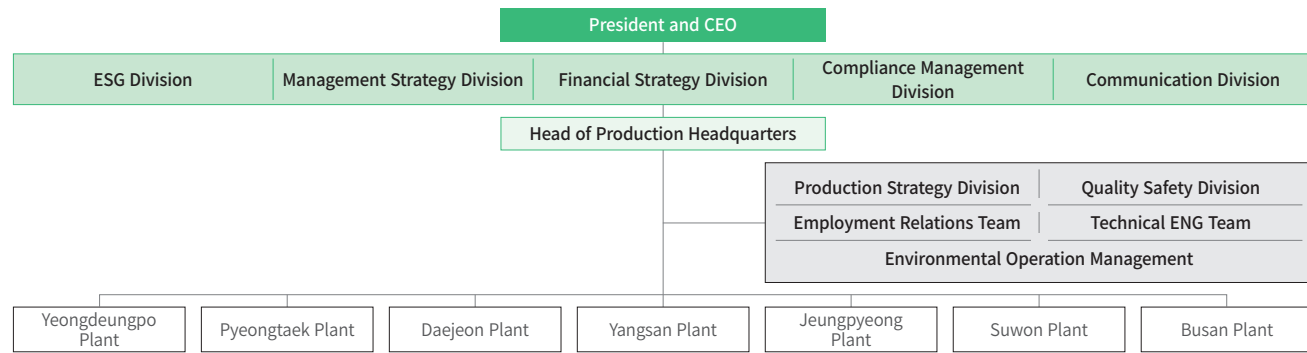


Environmental Management System

Environmental Management Strategy

Aware of the necessity of environmental management, LOTTE Confectionery pursues an environmental management strategy road map considering our business characteristics and environmental issues. We newly established a division for Environmental Operation Management that will act as an exclusive organization in charge of overall supervision of environmental management under the Production Headquarters in January 2022 to actively promote climate change responses and eco-friendly business places, and to fulfill Carbon Neutrality and RE100, the medium and long-term goals of the group, by 2040. We are contributing to global climate change responses, and are seeking various means of reducing and recycling plastics to ensure our business activities are actively aligned to the circular economy. We will apply the sustainable environmental management system at all business sites, and advance our business processes.

Environmental Management Organization



Environmental Management Strategy

Response to Climate Change <ul style="list-style-type: none"> Achieving carbon neutrality by 2040 Reducing GHG emissions by 30% compared to BAU in 2030 Accomplishing EV100 by 2025 Increasing our use of renewable energy 	Contribution to Circular Economy <ul style="list-style-type: none"> Reducing plastics in containers/trays by 25% by 2025 Using eco-friendly packing materials like renewable plastics Recycling raw material byproducts Adapting packing design to support easy recycling 	Eco-friendly Business Site <ul style="list-style-type: none"> Reinforcing eco-friendly supply chain management Reducing wastewater or water use and increasing recycling Investing in high-efficiency energy equipment
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Environmental Management System

Since becoming the first in the Korean confectionery industry to acquire ISO14001, an environmental management system, in 2004, LOTTE Confectionery has consistently maintained this certification. Eight business sites, including the head office and plants, endeavor to build eco-friendly production infrastructures. Furthermore, in September 2020, LOTTE Confectionery joined a 'voluntary agreement to reduce excessive use of packing materials' between the Ministry of Environment and 23 major food companies of Korea. Through this agreement, we are restraining from repackaging products and have reduced the weight of strips and rings to improve materials.



Environmental policy



ISO14001 environmental management system certification



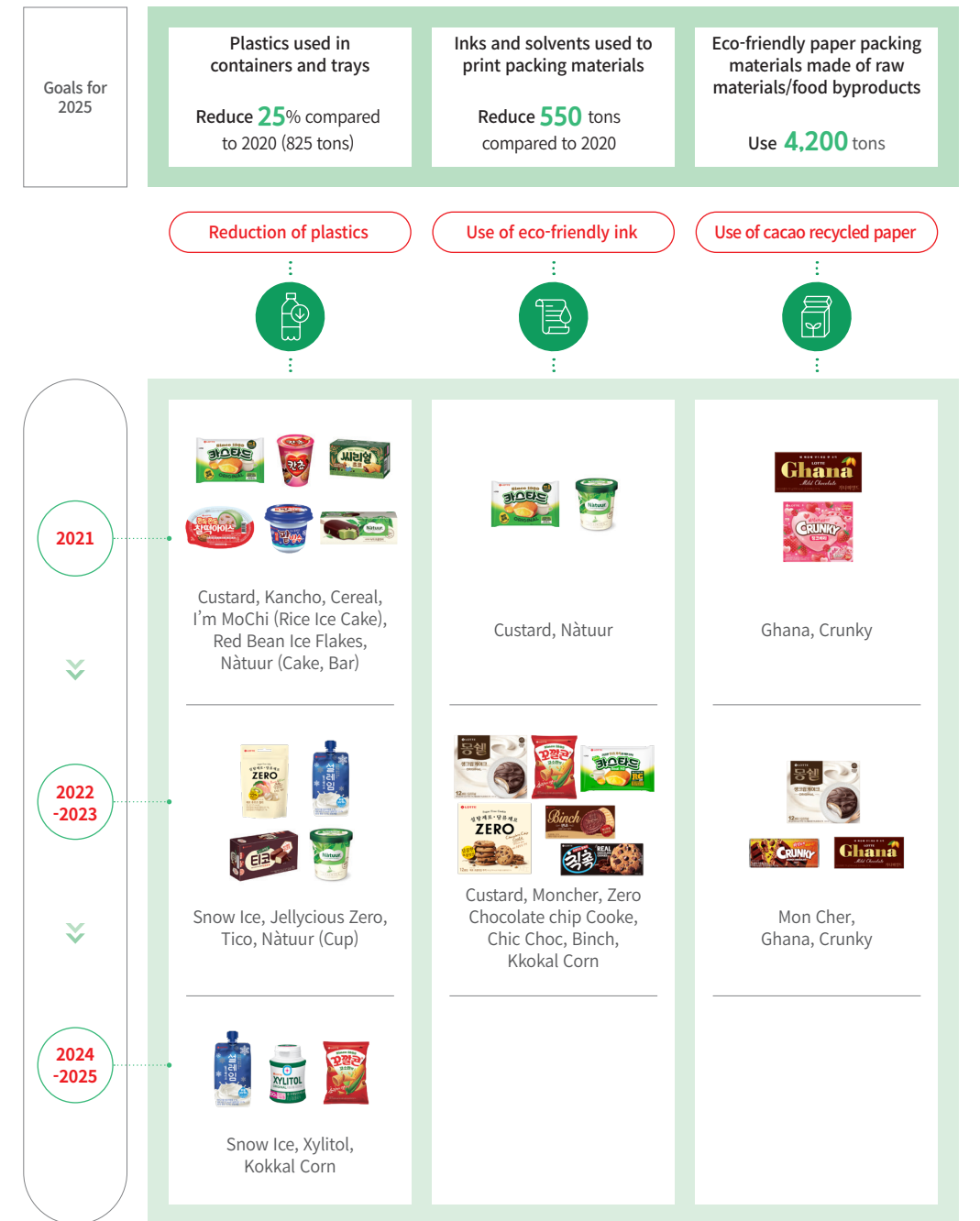
Voluntary agreement to improve packing material structure

Circular Economy

Circular Economy Promotion Strategy

Given the timely demand to reduce packing waste in consideration of the health of the environment, LOTTE Confectionery developed ECO marketing. Sweet ECO 2025 is an eco-friendly packaging strategy that aims to produce outcomes by 2025 in three key tasks, which are 'plastic reduction,' 'pursuit of eco-friendly printing,' and 'reuse of byproducts.'

Circular Economy Promotion Road Map



Plastics Reduction Activities



Removal of plastics from all biscuit products



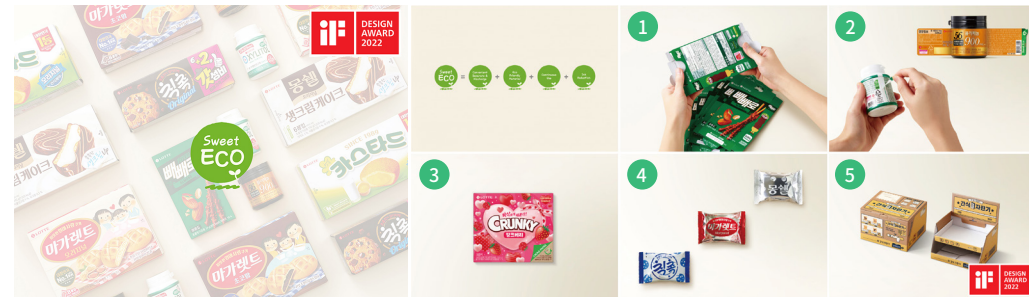
Use of a paper pouch (Jellycious Zero)

LOTTE Confectionery developed a safe and convenient packing method without plastics through KRW 3 billion worth of facility investments and experiments. Plastic containers used in the packing materials of all products in the biscuit line were removed using this method. In addition, LOTTE Confectionery is planning research and product development for plastic-free packaging by signing a service contract with EVERCHEMTECH, a small giant company selected for the '2022 SEM Technological Innovation Development Project' by LOTTE R&D Center.

Between July 2021 and June 2022, LOTTE Confectionery carried out activities to eliminate or reduce the use of plastics in products of 10 brands, including the efforts mentioned above. The annual reduction of plastics was about 710.26 tons.

Category	Brand	Details	Reduction (t)
Dry sweets	Glutinous Rice Cake Pie	Changed the thickness and material of the inner packing material	12.6
	Custard	Changed the material used in the tray (plastic → paper)	357
	Kanchō	Removed the tray and changed the outer package to pillow paper	60
		Changed the container material (plastic → paper)	88
	Cereal	Changed the container material (plastic → paper) / Removed the cap	26
	Mom's Homemade Pie	Changed the container material (plastic → paper)	57
	Anytime	Removed the PE zip-lock	1
Ice Cream	Selection	Used recycled plastic (in the outer package)	11.4
	I'm MoChi (Rice Ice Cake)	Changed the coating material used in the case	6.5
		Reduced the container weight	15
Red Bean Ice Flakes (Patbingsu)	Reduced the container weight	23	
	Nàtuur	Cake	Changed to a cake paper box used in specialty stores
Bar		Removed the OPP film coating of the case	1
Cup		Removed the OPP film coating of the container	0.56
	Cup/Pint	Used paper for the CAP material	50
Total			710.26

LOTTE Confectionery applies package designs that allow consumers to easily separate various parts for recycling through the eco-friendly packing product, 'Sweet Eco.' In recognition of the achievement, Sweet Eco received the main prize awarded by the International Forum Design Award 2022 of Germany in the area of brand communication.



- 1 The Pepero package is easy to separate using the perforated line.
- 2 The container of Dream Cacao is designed to easily tear off and separate.
- 3 Crunky Pinkberry applies paper package using cacao byproduct.
- 4 The inner packaging of Chic Choc, Margaret, and Mon Cher uses eco-friendly ink or reduce ink usage by using fewer tones.
- 5 The upcycling package of the snack vending machine which can be used as a storage box.

Design for Easy Recycling

Eco-friendly Paper Packing Material

Zero sugar brand products launched in June 2022 care for the health of consumers and the environment. We used FSC-certified pulp, given to wood products produced from the sustainable forest, as the packing material for Zero Chocolate Chip Cookie and Cacao Cake products. For Zero Fruits Jelly, we applied an eco-friendly paper 'Protego' in collaboration with Hansol Paper after signing an MOU in August 2021 for developing an eco-friendly packing material. Protego has high protection and preservability compared to existing paper materials, giving stability and eco-friendliness to the product.



Green Products



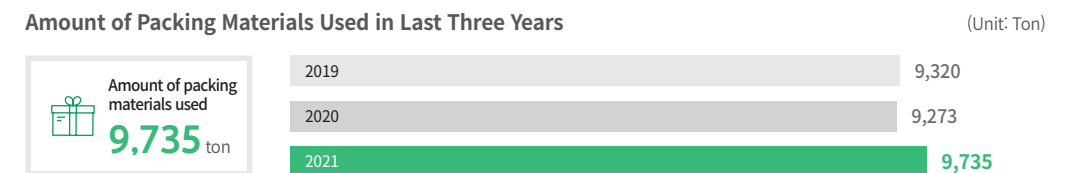
LOTTE Confectionery acquired green certification from the Ministry of Agriculture, Food, and Rural Affairs and the Green Certificate Secretariat for technologies for the manufacturing of eco-friendly ethanol and food packing material in July 2020. Starting with Margaret in September 2020, it is currently applied to 14 brands including Mon Cher, Choco Pie, Custard, Nàtuur Bar, and Zero as of June 2022. The expected amount of ink/solvent substitute annually is 344.5 tons.

Confectionery (10)	Ice Cream (1)	Bakery (3)
Mon Cher, Choco Pie, Custard, Margaret, Chic-Choc, LOTTE Sand, Vegetable Crackers, Harvest, Pepero, Zero	Nàtuur Bar	V-Bread, Steamed Bun, Mini Sand



Usage of Plastics for Three Years

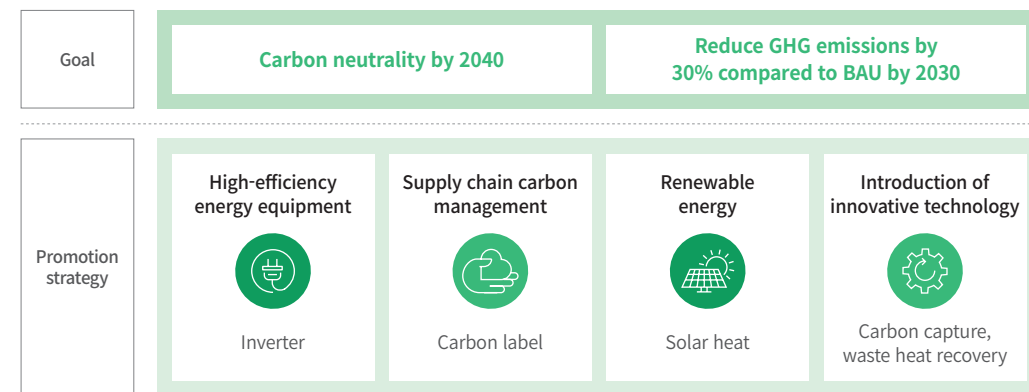
The total amount of packing materials used by LOTTE Confectionery was 9,735ton in 2021, including plastics used to make bottles and trays and single composite film materials. Lotte Confectionery will continue to contribute to reducing the use of packaging materials and establishing a net economy through the Sweet Eco project.



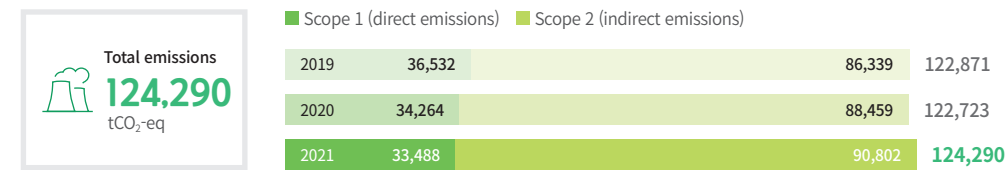
Response to Climate Change

Strategy to Respond to Climate Change

LOTTE Confectionery has been trying to reduce GHG emissions to achieve carbon neutrality by 2040, as announced at the ESG management declaration ceremony in July 2021. Each business site determines its own reduction goals and promotes improvement into high-efficiency energy equipment. LOTTE Confectionery actively responds to climate change by reviewing the implementation of innovative technologies, such as new and renewable energy sources and carbon capture, to fundamentally reduce carbon emissions. Beyond this, we will further strengthen our supply chain management system to reduce carbon emissions in the pre-sales stage during product manufacturing.



GHG Emissions (Unit: tCO₂-eq)



GHG Intensity (Unit: tCO₂-eq / product ton)



Total Energy Use (Unit: TJ)



Conversion to Electric Vehicles

In order to reduce carbon emissions in the overall business area, LOTTE Confectionery participated in a ceremony to declare '2030 Pollution-free Vehicle Conversion 100' hosted by the Ministry of Environment in April 2021. This declaration ceremony involved 20 manufacturing companies and six financial companies, all of which are participating in a plan to convert 100% of their business vehicles into pollution-free vehicles by 2030.

Aiming to accomplish the goal from the declaration ceremony in the early stage, LOTTE Confectionery became the first confectionery company to undertake the replacement of all of its refrigerated trucks and passenger cars with electric vehicles. All 572 business vehicles (350 sales trucks and 222 cars and vans) will be switched to electric vehicles sequentially until 2025. As of August 2022, this conversion had already been completed on 196 vehicles. Through this project, which will result in an annual GHG reduction effect of 1,115 tons* when all vehicles are replaced, LOTTE Confectionery will drive efforts to reduce carbon emissions.

* The reduction effect when greenhouse gas emissions of internal combustion locomotives and electric vehicles are set at 191 G/km and 94 G/km, respectively, with the assumption of driving 20,000 km per unit.

Nàtuur <Greens Come True>

Nàtuur, a premium natural ice cream brand has been implementing an eco-friendly project <Greens Come True> to protect nature and cherish its preciousness. Aiming to achieve zero plastics by 2023, we changed the caps of pint products and ice cream cake boxes to paper, applied eco-friendly printed paper for bar products, and removed OPP film coating.

As part of the green campaign 'Nàtuur Forest' that has been ongoing since 2019, Nàtuur carried out the 'Nàtuur Recycle Gardening,' an event with consumers' participation, in 2022 and handed out the 'Nàtuur Forest Kit' consisting of two Nàtuur pint ice creams, soil, and seed. Consumers can practice upcycling by cleaning the container after having the ice cream and planting the seed in the soil to use the container as a flower pot.



Responsible Management of Raw Material



World Cone Madagascar Vanilla and Nàtuur Vanilla using vanilla scent in the Nàtuur range acquired RA certification.

Expanded Use of RA-certified Vanilla

Rainforest Alliance* (hereinafter RA) certification is given to farms that conduct production activities through environmentally and socially sustainable processes and practices, including reduced use of chemical fertilizers, prevention of the contamination of water resources, preservation of rainforest shades, and protection of labor rights. The vanilla scent that had been used in Nàtuur was replaced with an ingredient that acquired RA certification in early 2021, and the RA-certified vanilla scent is now being used in World Cone Madagascar Vanilla, the representative ice cream product of LOTTE Confectionery, since June 2022. LOTTE Confectionery will further expand the use of ingredients that are environmentally and socially sustainable.

* Rainforest Alliance: An international non-profit organization that protects the environment by maintaining biodiversity and sustainability

Eco-friendly Business Site

Air Pollution Control

LOTTE Confectionery operates air pollutant control facilities at each plant, such as filtration dust collection and combustion dust collection facilities, to minimize air pollution risks during production. In addition, LOTTE Confectionery keeps its emission levels below the legal limits by having a professional inspection company conduct regular monitoring once or twice a year. We will continue to reduce total pollutants by applying emissions criteria that exceed the legal standards.

Air pollutant emission outcomes for three years

Category	Unit	2019	2020	2021
Dust (PM)	Ton	0.485	0.362	0.726
Sulfur oxides (SOx)	Ton	0.010	0.014	0.396
Nitrogen oxides (NOx)	Ton	9.640	10.314	14.492
Total	Ton	10.135	10.689	15.614

Water Resources Management

All LOTTE Confectionery plants conduct periodic water quality analysis, with the work commissioned to a measurement company authorized by an external agency. The plants perform strict water treatment according to the water analysis results. Pyeongtaek Plant invested in a rotating disc system at its wastewater treatment facility in July 2020 to lower the original wastewater load and vitalize microbial proliferation, thus improving the quality of discharge water by reducing the pollution load. In addition, Yangsan Plant has installed a rainwater transfer device at its water treatment facility, and conducts regular inspections to ensure rainwater with pollutants is prevented from reaching the river. This process prevents potential water quality pollution risks.

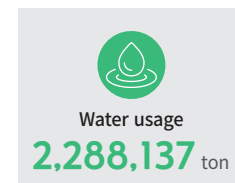
Water pollutant emission outcomes for three years

Category	Unit	2019	2020	2021
Biochemical oxygen demand (BOD)	Ton	7.527	4.846	15.061
Chemical oxygen demand (COD)	Ton	20.960	20.186	26.511
Suspensions (SS)	Ton	11.191	12.814	33.157
Total nitrogen (T-N)	Ton	8.293	3.711	17.086
Total phosphorous (T-P)	Ton	1.673	0.995	2.341

Water usage for three years

Category	Unit	2019	2020	2021
Total	Ton	1,335,215	2,221,804	2,288,137
Intensity	Ton / product ton	6.726	11.251	11.368

* Increase shown due to changes in the water usage measurement method at some plants (Yangsan, Pyeongtaek) in 2020
 - Total usage of 1,417,791 tons in 2020 and intensity usage of 7.180 tons based on the conventional measurement method



Supply Chain Water Resources Management

LOTTE Confectionery inspects the water treatment status of its suppliers and supports them through LOTTE R&D Center. Water quality inspections, water equipment management, and water reserve tank management of suppliers are monitored continuously. In addition, LOTTE Confectionery manages the overall water resource risk of the supply chain through sanitary education and equipment maintenance activities for suppliers.

* Scope of calculation of emission performance: Headquarters, Gwangmyeong Logistics Center, 7 plants

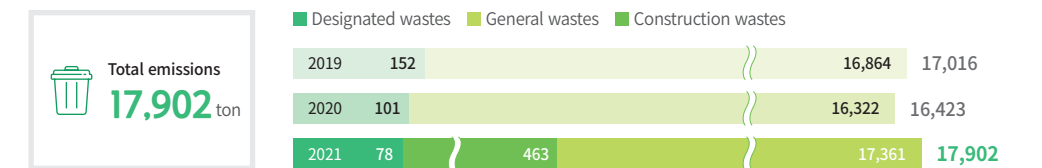
Emission and Recycling of Wastes

All seven LOTTE Confectionery plants minimize their environmental impact by treating food wastes according to our waste treatment guidelines. Also, many of the food wastes generated during production are entrusted to a specialized firm to be recycled into fertilizer materials and biofuels. As of 2021, the waste recycling ratio was 86%. LOTTE Confectionery strives to reduce waste generation by engaging in environmental improvement activities and garbage exposure prevention activities at production sites.

Category	Unit	2019	2020	2021
Recycling rate	%	92	75	86
Intensity	Ton / product ton	0.09	0.08	0.09

Amount of wastes emission

(Unit: Ton)



Amount of wastes recycled

(Unit: Ton)



* Designated wastes: Hazardous wastes prescribed by presidential decree that can pollute the surrounding environment, such as waste oil and waste acid, or cause harm to the human body, such as medical wastes
 ** Temporary increase in overall recycling rate in 2019 due to an increase in recycled amount at some plants

Introduction of Innovative Technology for Saving Energy



The Yeongdeungpo plant operates a wastewater purification system using microorganisms but has been repeatedly experiencing complaints from residents living near the plant due to the odor coming from wastewater caused by high temperatures every summer and follow-up field investigations were carried out by the administrative office. However, after introducing the heat pump facility for collecting waste heat from wastewater in the process of wastewater disposal in 2020, the odor issue was solved and the conflict with the community has decreased. The collected waste heat can be reused in the CIP process to save energy costs significantly. Yeongdeungpo plant received the Prime Minister's citation as part of the Korea Energy Award in November 2021 in recognition of various effects of energy-saving cases including the introduction of this facility.

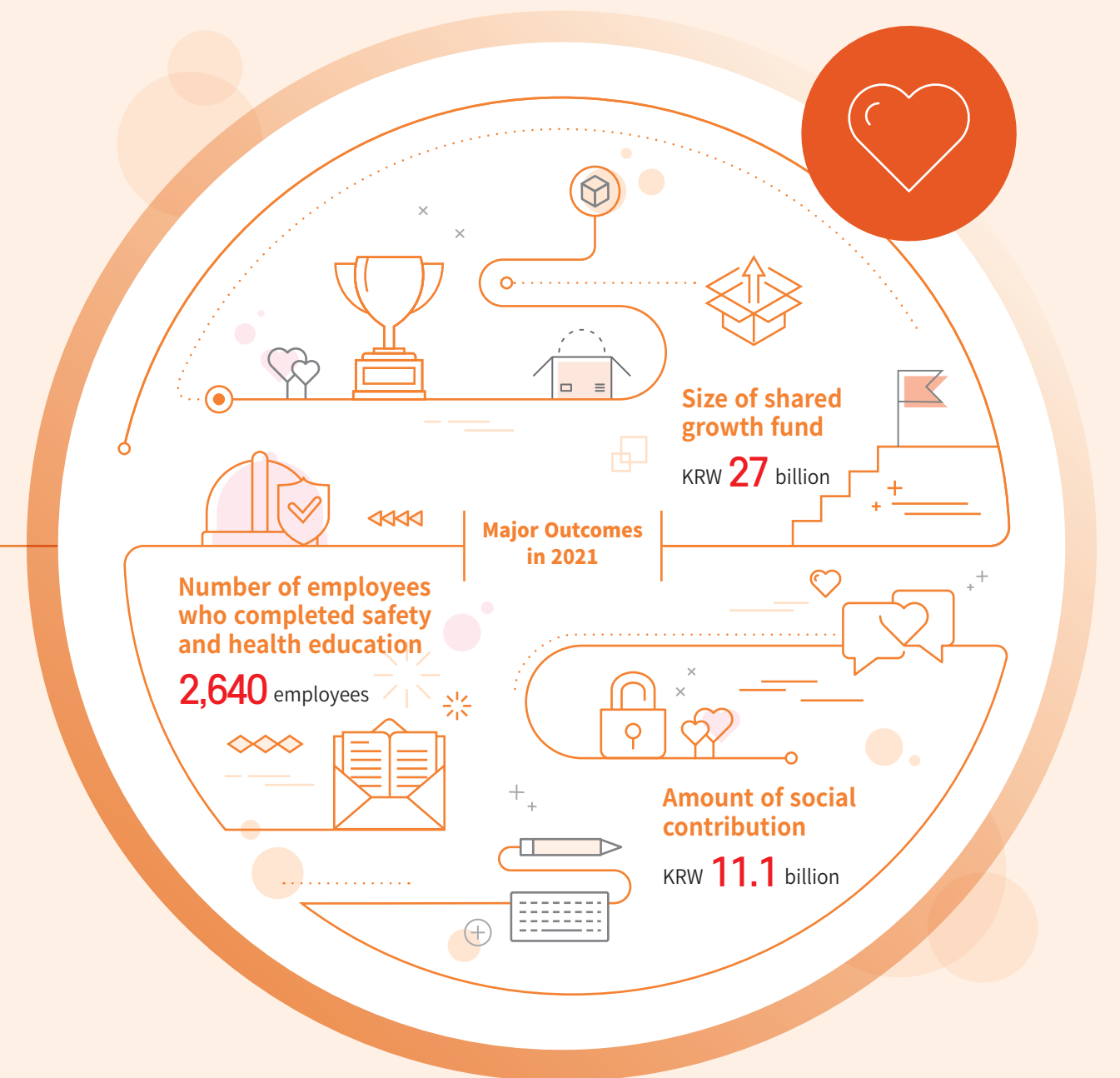
Efficiency Improvement with the Introduction of Heat Pump in Yeongdeungpo Plant

Content	Before introduction (2019)	After introduction (2020)	Change
Energy costs	KRW 900 million	KRW 750 million	▼ KRW 150 million
Input of microorganisms	53 tons	0 tons*	▼ 53 tons
No. of complaints related to odor	30 cases in 2018, 20 cases 2019	5 cases 2020, 1 case in 2021	▼ 44 cases

* After introducing the facility

Social Responsibility

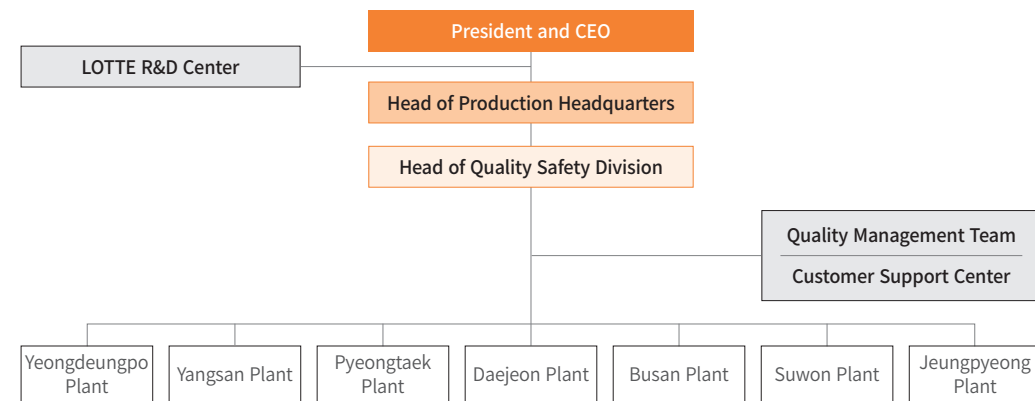
- 40 Quality-centered Management
- 42 Customer Satisfaction Management
- 44 Safety Management
- 45 Information Security
- 46 Employee Value Creation Culture
- 50 Shared Growth
- 53 Social Contributions



Quality-centered Management

Quality Management System

LOTTE Confectionery established the Quality Safety Division in December 2021 to secure food stability and customers' trust. The Quality Safety Division is in charge of standardizing the manufacturing manual and operating a company-wide quality management system that embraces the manufacturing and distribution stages. Persons in charge of quality at each plant perform raw materials analysis, production stage inspection, and finished product inspection to maintain the highest product quality in Korea.



* Operation of dispatching quality organizations for each plant

Food Safety Management System

The Korean food industry is making increasing efforts to secure food safety. As consumers have a growing interest in food safety, the food industry is required to take food safety measures. LOTTE Confectionery has long been trying to make safe food. Representative efforts include the various certifications we have achieved, such as ISO9001 (1997), ISO14001 (2004), CCM (2008), Children's Favorite Food Quality Certification (2009), HACCP (1999), and ISO22000 (2010). Products that LOTTE Confectionery produces according to international food standards have a competitive edge not only in Korea but also in overseas markets. They will help establish K-FOOD around the world.



* Including requirements of ISO22000, ISO14001, and ISO9001 currently maintained by our company

R&D and Quality Control of the Supply Chain

Safety Center under LOTTE R&D Center

LOTTE Confectionery is reinforcing the food safety system in cooperation with the Safety Center established in 2009 within LOTTE R&D Center. We address the quality control of supply chains through consulting, auditing, and education related to food safety for partners, and we strive to ensure the safety of all products offered to our customers.



1 Consulting/technical support for food safety of partners

LOTTE Confectionery offers food safety consulting on the reduction of product claims, reduction of foreign substances, and securement of ingredient safety through the Safety Center of the LOTTE R&D Center. We operate a 4-step sanitation rating system based on the results of consulting, and are applying the sanitation quality standardization system for high moisture and ice product lines.

In addition, we conduct a food sanitation audit more than once a year to identify matters that need improvement and carry out technical support activities. For overseas business sites (Russia and so on), we use Smartglass, an IoT-based wearable computer device using AR technology, to provide contactless support in the area of sanitation.



2 Management of ingredient safety verification

LOTTE Confectionery and LOTTE R&D Center are implementing stringent measures for managing the safety of ingredients to prevent food poisoning and foreign substances. As part of the prior action according to the reinforced Harmful Substance Safety Control System, we reevaluated ingredient risks and improved classification standards. In 2021, we inspected ingredients including edible ice, liquid egg, corn snack, grain processed food, boiled food, packing material, and other processed foods from 19 suppliers. We classify ingredients that require a microorganism and physio-chemical test and ingredients that can be mixed with foreign substances for effective response to the main ingredients.



3 LOTTE Safety Academy

LOTTE Confectionery and LOTTE R&D Center conduct 'LOTTE Safety Academy (LSA),' a food safety education program for small and medium partner companies. LSA, which was operated offline in the past, has been run online since 2020 in view of COVID-19. In 2021, LSA focused on the cases that can be applied to field works immediately, which are related to the food safety trends in 2021, management of HACCP prerequisites, and the Act on Labeling and Advertising of Foods, for 11 persons from the main plant of LOTTE Confectionery and 22 quality managers from partners (16 companies). We are also actively supporting follow-up management of education, including the provision of review materials, notices of revised laws, and the operation of Q&A.

LSA has been conducted a total of 40 times for 2,214 employees of 1,157 companies in the past 12 years. In the first half of 2022, LSA reflected the feedback of participants from the previous years and provided education on various topics including the revised laws, understanding of the food code, the Act on Labeling and Advertising of Foods, and global food safety trends.

To contribute to society, we allow small and medium food companies in addition to LOTTE partners to attend the education program, leading the advancement of the food industry and supporting small businesses that are having difficulties due to the prolonged COVID-19.

Companies Subject to the Management of LOTTE R&D Center Safety Center in 2021

Category	Total	Main plant	Ingredient suppliers	Partners
No. of companies	73	7	19	47

Customer Satisfaction Management

Products Considering Customers' Health

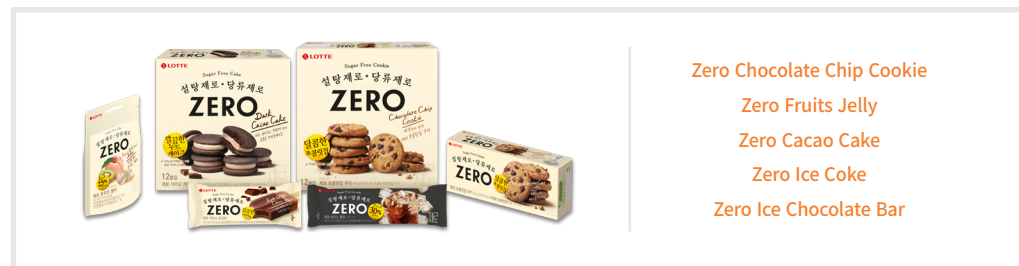
Direction of Product Development

LOTTE Confectionery strives to develop healthy products that can improve the lives of consumers. To this end, LOTTE Confectionery has established a goal of reducing sugar, fat, and sodium content by up to 20% and improving product nutrition until 2025. In addition, we focus on innovating our manufacturing technologies by developing individually authorized materials and new techniques.



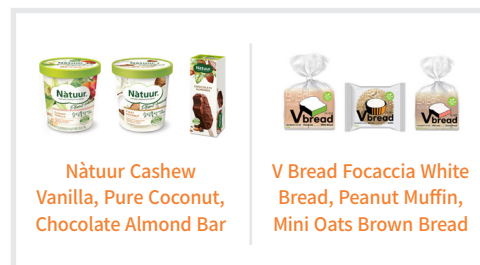
Zero Sugars but the Sweet Taste Remains

To meet the consumer demand for sweet, delicious snacks that are sugar-free, LOTTE Confectionery launched 'Zero Petite Mon Cher' and 'Zero Ghana Bar' using alternative sweeteners erythritol and maltitol without using sugar in September 2021 and opened up a new market for the confectionery industry. Following the rising 'Healthy Pleasure' trend, LOTTE Confectionery launched five new products additionally under the Zero brand in May 2022. We will expand the Zero brand line with a wider selection of products including chocolate and candy to reach out to more consumers.



Vegan

Through the premium ice cream Nàtuur and vegetable bread V-bread, we are presenting vegan products made from 100% vegetable ingredients that are more friendly toward consumer value and the health of our planet.



Halal Certification

LOTTE Confectionery produces Pepero for export that has acquired Halal certification from the U.S. IFANCA to provide products that can be enjoyed by consumers of different religious backgrounds and nationalities. (Three kinds, including Almond, Snowy Almond, and White Cookie)



Children's Favorite Food Quality Certification

Jaws Bar of LOTTE Confectionery acquired the 'Children's Favorite' food quality certification by satisfying the quality certification criteria for safety, nutrition, and food additives. We will try to increase the variety of products that are safe for children to eat.



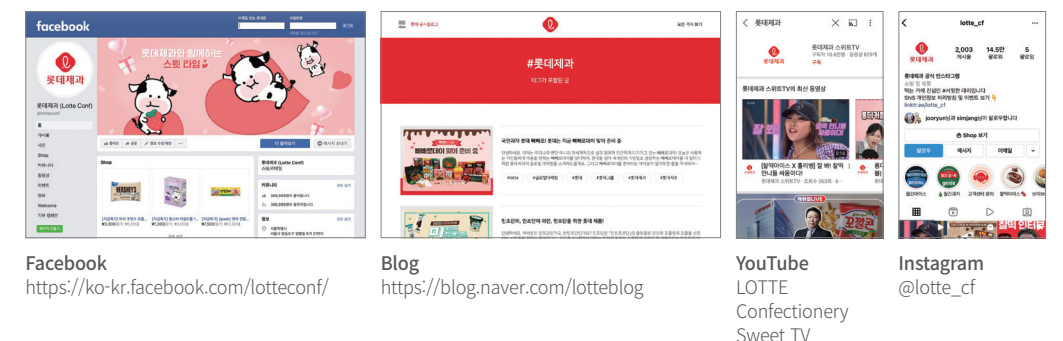
Customer Satisfaction Management Process

Customer satisfaction is a value that is considered the top priority in LOTTE Confectionery's corporate activities. Since the introduction of the 'Consumer Complaint Management System (CCMS)' certified by the Fair Trade Commission for the first time in the confectionery industry in 2007, LOTTE Confectionery has established and developed a business system that aims to prevent consumer complaints arising and handle follow-up remedies quickly. The system is in place to quick damage control and improve work in accordance with the six-step customer service manual for complaints received through various channels such as phone calls and homepages through a dedicated team of customer support center. In addition to product complaints, LOTTE Confectionery is establishing a customer satisfaction management process to respond quickly to improvement ideas regarding issues such as unethical matters of the company and customer recommendations.



Live Social

We run various social media channels to communicate with consumers smoothly. By appointing 'Sweet Creators' as undergraduate supporters in 2020, we perform monitoring and share ideas about new products released each month. The activities of Sweet Creators have become representative content of LOTTE Confectionery communicating with consumers. In addition, as COVID-19 continues to restrict offline meetings with consumers, LOTTE Confectionery has strengthened its contact-free exchanges through events like 'Internet Party' and 'Online Fan Meeting.' We will utilize many other media to communicate with consumers.



Safety Management

Safety and Health Management Strategy



Safety and Health Management Policy

LOTTE Confectionery revised and announced its safety and health management policy in October 2021 to help workers at all workplaces to work in safe and pleasant facilities and environments, and in December of the same year, it obtained certification of ISO45001 (Safety and Health Management System). In January 2022, the Emergency Management Division, which was the team organization, was promoted as a sector to measure and prevent risk factors at each business site more systematically. As the target company of Process Safety Management, we are continuously participating in the regular performance evaluation conducted by the Ministry of Employment and Labor and the Korea Occupational Safety and Health Agency. We acquired an S rating in the 2021 evaluation.



Acquired ISO45001 (Safety and Health Management System) (December 2021)

Responsibilities and Authorities of Safety and Health System

LOTTE Confectionery clearly regulates safety and health responsibilities and authorities in its safety and health management manual.

President and CEO	• Safety and health officer in charge of general management and command
Head of Emergency Management Division	• Establishment of safety and health management policies and maintenance of ISO45001 management system
Heads of Headquarters, Divisions, Plants	• Safety and health officers in charge of building, executing, and maintaining safety and health management system at each business site - General responsibility to manage effective safety and health activities at business sites
Team Leader, Manager, Field Manager	• Managing supervisor in charge of executing safety and health management of each division - Safety and health policy education, maintenance of safety accident records, prior risk assessment
Safety and Health Staff	• Operation of safety and health duties at business sites - Management of safety and health manuals, inspection of hazardous substances, measurement and improvement of work environment

Safety and Health Management Prevention Activities

Each business site performs risk assessment and conducts safety self-inspection at least once a month to prepare for possible accidents, and safety improvement cases from each business site are shared.

Example of business site risk prevention through risk assessment

Risk factor	Noise during cutting work	Risk of forklift collision	Falling risk during work	Cutting risk during work
Improvement	Provision of ear caps to workers to block noise	Securing safety passages for forklifts and supplementing the installation of alarms	Installation of foothold for elevated work (foothold to prevent slipping and safety handrail)	Installation of equipment safety devices (safety cover, interlock)

Number of accidents that occurred in three years

Category	2019	2020	2021
For branches and plants	7	12	13

Accident rate for three years

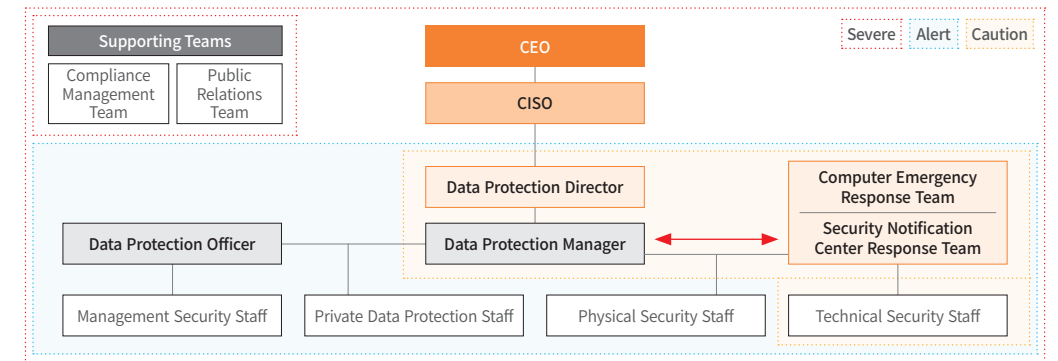
Category	2019	2020	2021
Accident rate	0.15	0.28	0.30
LTIFR*	0.75	1.28	1.47

* LTIFR (Lost-Time Injuries Frequency Rate): Number of injuries (accidents) that occurred during 12-month period / total hours worked by all employees during same 12-month period×1,000,000

Information Security

Information Security Strategy

LOTTE Confectionery operates the DT team under the CISO in charge of information protection, and has established an information security management system classified into four areas of enterprise management, and management of physical, technological, and personal information. Security incident training and vulnerability diagnosis are conducted once a year and 4-step standards of attention/caution/alert/critical are prepared as responses against incidents of information security infringement. In addition, we raise employees' awareness on information security and reduce related risks in advance through various internal activities.



Information Security Infringement Response system

Through diverse internal activities, LOTTE Confectionery raises the information security awareness of all employees. Security rules for employees and awareness are improved to reduce risks. In addition, the first Monday of every month is designated as Information Protection Day to strengthen personal information protection activities.

Information Security Status

LOTTE Confectionery disclosed the information companies related to information security to the Korea Internet & Security Agency (KISA) in June 2022 as below, disclosing the investment and activity status for information transparently.

Category	Details	Remarks
Information Security Investment Status	Investments in the information technology sector	KRW 14,174,448,829
	Investments in the information security sector	KRW 956,222,100
	Percentage of investments in the security sector	6.75%
Information Security Personnel Status	Information technology personnel	43 persons
	Information security personnel	3.1 persons
Information Security Personnel Status	CISO / CPO appointment status	Concurrent positions of CISO and Director of Management Strategy Sector Concurrent positions of CPO and Director of Communication Sector
	Major information security activities for the users of information communication services	<ul style="list-style-type: none"> Upgrading the solution to block harmful access to the Internet Establishing an anti-ransomware solution Establishing a screen watermark solution Yearly contract for vaccine service Mock training in infringement incidents (annually) Information security education for employees (annually) Inspection of offices and PCs (quarterly) Branch security checks (quarterly) Mock virus e-mail training (quarterly) Sending newsletter for the Information Security Day and issuing security notices (monthly) Information Security Commission (CISO, CPO) meeting (semiannually) Working Committee meeting (quarterly) Security inspection of personal information partners (annually)

* Base date of preparation: December 31, 2021



Conduct self-inspection on information security (Pop-up on employee website)

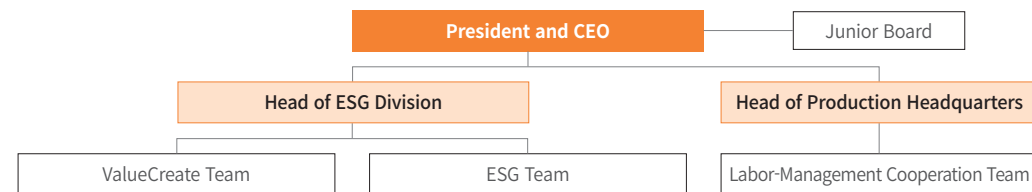


Information Security Newsletters

Employee Value Creation Culture

Employee Value Creation Culture System

LOTTE Confectionery works to build a sound labor-management culture, and supports a good work-life balance for all employees. We are preparing various systems and programs to form an employee value culture. We operate the ValueCreate Team and ESG Team under the ESG Division, the Labor-Management Cooperation Team under the Production Headquarters, and Junior Board under direct control of the CEO to strengthen our ESG performance systematically.



Company with an Excellent Labor-Management Culture

In order to establish a win-win relationship between laborers and the management, LOTTE Confectionery conducts meetings of representatives annually and mediates the opinions of laborers and the management. We also operate various communication channels such as joint workshops and sports festivals to improve the labor-management culture. As a result, LOTTE Confectionery was selected by the Ministry of Employment and Labor as a company with an excellent labor-management culture in 2019 and has maintained this status for three years. In 2022, LOTTE Confectionery was once again selected as a company with an excellent labor-management culture through continued efforts based on the communication and efforts between laborers and the management.

Certification of company with excellent labor-management culture

Tripartite declaration for joint practice of social responsibility

Tripartite declaration to practice workplace policy of mutual respect

Labor-Management Cooperation Programs

Category	Unit	2019	2020	2021	
Collective Agreement	No. of subjects who can join the Labor Union	Person	3,148	3,095	3,083
	No. of persons who joined the Labor Union	Person	1,719	1,697	1,693
	Rate of joining	%	55	55	55



Labor-management joint workshop

Assessing our Value Creation Culture

LOTTE Confectionery conducts a 'value creation culture assessment survey' of all employees to check the level of its corporate culture every year. The assessment survey covers 20 specific items under three categories, including the level of corporate culture, practice by members, and basic elements of corporate culture. This survey is used to improve the organizational culture each year and derive core tasks to be pursued in the future.

Level of corporate culture	Practice by members	Basic elements of corporate culture
<ul style="list-style-type: none"> 1 Family management 2 Win-win management 3 Creation of happiness for employees 4 Creation of corporate value 5 Creation of social value 	<ul style="list-style-type: none"> 6 Work satisfaction 7 Respect for coworkers 8 Pride in organization 9 Pursuit of efficiency 10 Pursuit of innovation 11 Pursuit of performance 12 Compliance management 13 Ethical management 14 Social contribution 	<ul style="list-style-type: none"> 15 Challenge 16 Respect 17 Originality 18 Trust 19 Cooperation 20 Diversity

Work-Life Balance

In 2019, LOTTE Confectionery was selected as a family-friendly company by the Ministry of Gender Equality and Family, and has maintained this status ever since. Various institutional measures have been implemented to support a sound 'work-life balance' for employees so that they can grow with society. The parental leave system is aimed at preventing career interruption of female workers due to pregnancy and childbirth, and was expanded to include men in 2017. Furthermore, we have a flexible work system to guarantee the lifestyle and efficient time management of employees. Every Friday is designated as 'sWEET DAY' to leave an hour early, boosting job satisfaction and contributing to creative management.



Family-friendly company in 2019

Category	2019	2020	2021
Number of employees who used their parental leave (Unit: Person)			
Male	84	45	70
Female	42	49	67
Total	126	94	137
Work return rate after using paternal leave (Unit: %)			
2019	82.5		
2020	93.6		
2021	85.4		
Ratio of returners who worked for 12 months or longer (Unit: %)			
2019	88.5		
2020	84.6		
2021	72.7		

* (Number of employees who worked for 1 year or longer / Number of employees who returned after parental leave from the previous year) x 100

Major Programs to Improve Work Environment and Organizational Culture

Leaves and flexible work	Flexible work system / working from home / sabbatical leave / one-fourth day leave system / annual leave donation system / collective annual leave / automatic PC shut-off system, etc.
Single title system	System to use the title of 'sir' among employees to promote a horizontal organization culture
Improvement of the Work Environment	Smart office (free seating system) / 100% e-approval system / Operation of remote offices

Junior Board

Junior Board is a youth board under the direct control of the CEO, which consists of young hands-on workers who are assistant managers or in lower positions. It was established in July 2021 and currently, the 2nd term is in operation as of 2022. Representing the MZ generation, Junior Board delivers the voices of employees to the CEO.

Field communication program	Pepero board	Regular meetings
A program to facilitate communication between divisions by sharing interviews with personnel	Collecting employees' ideas freely to reduce inefficiencies in work	Activities to improve the organizational culture through meeting between members of the CEO Junior Board

Human Rights Management System

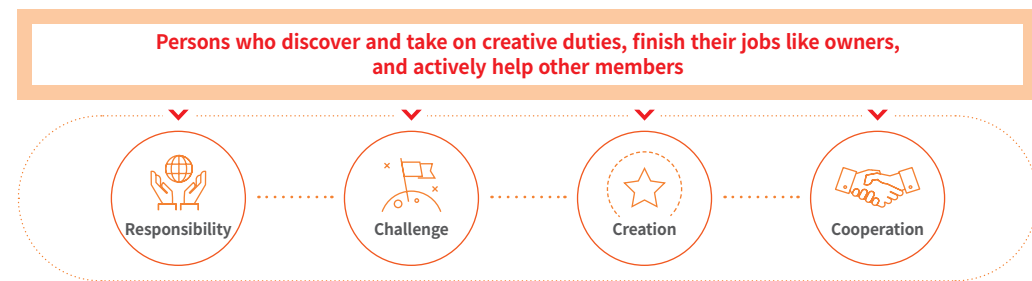
LOTTE Confectionery tries its best to minimize human rights infringement risks at business sites. We protect victims and take actions against wrongdoers according to our 'workplace sexual harassment prevention guideline' and 'workplace bullying prevention guideline.' We also create and distribute checklists for different risks in order to prevent them. Since 2016, LOTTE Confectionery has been supporting and complying with the 10 principles of UNGC in the four sectors of human rights, labor, environment and anti-corruption. We submit the CoP (Communication on Progress), which is a report on the implementation of the principles, on a regular basis. In the future, LOTTE Confectionery will protect and enhance human rights according to international standards, prevent human rights infringements that can occur during corporate activities, and become a company that offers sustainable satisfaction to all stakeholders.

Open Recruitment



Right People for LOTTE Confectionery

People are at the center of all corporate activities of LOTTE Confectionery. Our mission to contribute to abundant lives of people is linked to 'responsibility,' 'challenge,' 'creation,' and 'cooperation.' We recruit human resources that accord with these qualities.



Female leader training program of LOTTE Group

- Mentorship for women**
Female leader-executive employee mentorship program
- LOTTE WOW Forum (Way of Women)**
A forum sharing exemplary cases of human resource diversity for all employees of LOTTE

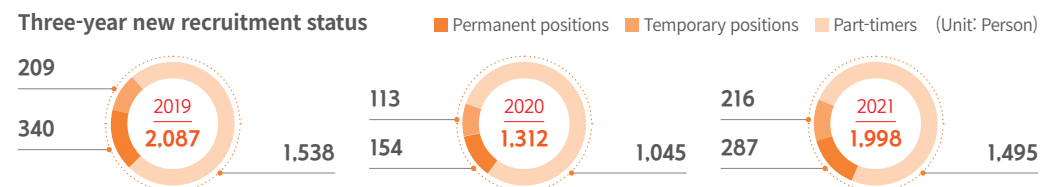
* The proportion of female managers decreased due to the removal of the position of AS head staff of LOTTE Merchandising Service Center in 2020



Commendation for Promoting Employment for People with Disabilities

Open Recruitment Process

LOTTE Confectionery recruits talented individuals who are suitable for the division through a fair recruitment process. The latest social perspective on the workplace is shifting from 'lifelong workplace' to 'lifelong job.' Job-seekers consider career development to be a very important factor when choosing the place to work. We have switched our recruitment system from regular recruitment to ongoing recruitment to reflect such social environment.



Diversity and Non-discrimination

With a human resource management policy of respect for diversity, LOTTE Confectionery concentrates on programs that support the development of female employees. We are continuing to increase the ratio of job positions for women. Moreover, LOTTE Confectionery has been operating a subsidiary called 'Sweet With,' a standard business site that employs disabled persons, since 2017. Sweet With is a company that runs a finished product subdivision business, and 83% of all its employees are disabled persons. We will become a company that grows by pursuing diversity and eradicating discrimination in employment.

Status of female members of management (Unit: %)

Category	2019	2020	2021
Manager status	24.1	12.8	15.4
Executive status	5.1	2.9	5.6
Status of women in profit-making organization	38.8	38.1	39.2

* The proportion of female managers decreased due to the removal of the position of AS head staff of LOTTE Merchandising Service Center in 2020

** Managers: Senior position or higher, excluding part-time executives

Employment status of Sweet With in 2021 (Unit: Person)

Category	Male	Female	Total	Remarks	
Production workers	The disabled	20	20	40	39 persons with intellectual disability, 1 brain lesion disorder
	Non-disabled persons	1	7	8	
Management workers (non-disabled)	3	1	4	Includes the CEO	
Total	24	28	52		

* As of December 2021

Fostering Future Human Resources

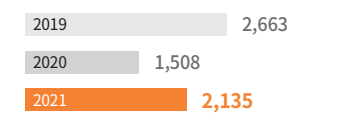
Human Resource Fostering Programs

LOTTE Confectionery operates education and training programs for employees that are organized based on job position and duties. The generalist course trains general managers, and the specialist course trains specialists for specific duties. We promote balanced training of human resources to actively cope with the changing business environment. LOTTE Confectionery is endeavoring to empower employees by allocating a budget for education and training each year. With the recent COVID-19 pandemic situation, we run online education courses to continue to provide effective education and training.

Education system for each job position

Category	Class	Knowledge	Duty	Global
Senior Manager		External MBA		Global school (residents to-be)
Manager	Promotion qualification course for Each grade	Leadership education (position)	Interviewer certification course	Internal language Each grade
Senior Assistant			E-learning/reading communication course	
Assistant	New employee education		External entrusted education	

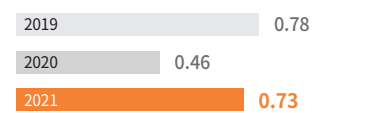
Three-year education expenses (Unit: KRW million)



Three-year total education and training hours (Unit: Hour)



Three-year education expenses (per person) (Unit: KRW million)



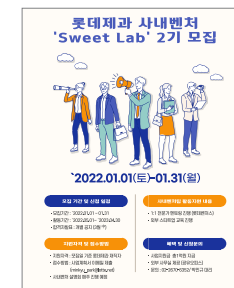
* Reduction of in-person education and expansion of online education to prevent the spread of COVID-19

LOTTE Confectionery's Internal Venture 'Sweet Lab'

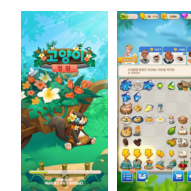
LOTTE Confectionery has been operating the internal venture system 'Sweet Lab' since 2021 to find opportunities for innovative and convergent projects and technical development. Any employee with creative ideas and passion can apply to take part in 'Sweet Lab' regardless of position and department, and the final team selected is provided with an independent office space and the maximum support fund of KRW 100 million. 'Stand Egg,' the startup brand established through the first internal venture team, was selected for the K-Startup project by the KISED and received additional support. The mobile game 'Cat's Garden' launched in June 2022 through this process is a merge puzzle game applied with the intellectual property rights of LOTTE Confectionery. Currently, the second internal venture team is preparing to establish a business, and we will continue to encourage employees in their pursuit of creative challenges and identify future growth engines.

Building Work System Based on DT

Starting with its profit information sophistication project in 2020, LOTTE Confectionery has been establishing a master plan to promote digital transformation. The S&OP system will be opened in March 2022 to synchronize the sales-production-purchase functions digitally. We expect to reduce the SCM cost and increase the accuracy of demand-supply using AI-based demand prediction. LOTTE Confectionery will surpass the existing SCM division and build a smart factory and big data based platform to become a smart company that manages its customers.



Poster for recruiting the 2nd Sweet Lab



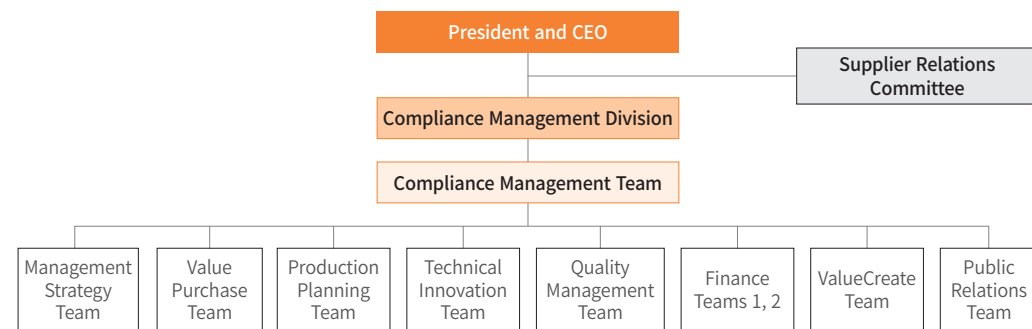
Screen for playing 'Cat's Garden'

Shared Growth

Shared Growth Promotion Strategy

LOTTE Confectionery signed a fair trade agreement in October 2008, and has since been making consistent efforts to create a virtuous cycle with its suppliers. To further upgrade this, a compliance management team was established in January 2018 to strengthen support and communication for suppliers, and funding and technology support are being provided to partners along with major related departments in the company. The monthly Subcontract Deliberation Committee maintains fair and legal subcontract transactions.

Shared Growth Promotion System



Shared Growth Index Evaluation

LOTTE Confectionery acquired the Excellent Grade from the Fair Trade Commission in the area of shared growth in 2021, maintaining the Excellent Grade for three consecutive years. We will continue to promote development and win-win relationships with suppliers in the future.



Strengthening Shared Growth Support System for Partners

LOTTE Confectionery established the Shared Growth Support Council in February 2022 to operate channels through which related departments, such as purchase, SCM, and marketing, can communicate seamlessly with partners and share information related to shared growth. The scope of the material supply system, which had been limited to some imported raw materials, has been expanded to cover domestic raw materials to stabilize the supply of materials. In addition, we are broadening our activities to provide advance payments to outstanding partners and offer tailored education in each area.

* Material supply system: A system in which conglomerates purchase raw materials needed to manufacture goods by utilizing their purchasing power and supply such materials to partners

Support for Mutually-beneficial Cooperation

LOTTE Confectionery operates a shared-growth program in various fields for mutually-beneficial cooperation with its partners.

Financial Support Programs

LOTTE Confectionery is providing financial support to suppliers through a low-interest loan fund we created with the Industrial Bank of Korea. Since 2019, we have been trying to resolve the financial difficulties of suppliers by increasing the size of the fund to KRW 27 billion. In addition, we pay subcontracts early to help suppliers access funds smoothly before national holidays.

Category	2019	2020	2021
Number of companies (ea.)	21	29	29
Amount (KRW 100 million)	270	270	270

Food Safety Consulting

LOTTE Confectionery offers food safety consulting to suppliers every year to remove potential food safety risks of suppliers and improve quality for growth. Food safety consulting includes the support for HACCP certification, reduction of complaints about products, preliminary reduction of foreign matters, and the securement of raw material safety. In 2021, LOTTE Confectionery provided 188 sessions of consulting services to 59 partners.

Providing Food Safety Consulting

(Unit: Case)



Industrial Innovation Movement

LOTTE Confectionery has been participating in the 'Industrial Innovation Movement,' an SME support program hosted by the Korea Chamber of Commerce and Industry and the Korea Foundation for Cooperation of Large & Small Business Rural Affairs, since 2013. In addition, we donate funds to the Korea Foundation for Cooperation of Large & Small Business Rural Affairs each year to provide customized consulting services to SMEs in Korea. We will continue to support SMEs in various ways to create an economic ecosystem that supports shared growth.

Example of quantitative outcomes of companies participating in the Industrial Innovation Movement in 2021

Company S	Improved quality by installing automatic product meters and reduced the number of customer complaints from 15 to 4 cases (improved by 73.3%)
Company H	Invested in and installed case packers in the packaging process to raise per capita productivity from 230 ea to 420 ea (improved by 82.6%)

Human Resource Development and Educational Support

LOTTE Confectionery runs an online shared growth academy throughout the year to help suppliers develop human resources. In 2021, we provided online education programs to 186 executives and employees of 16 partnering companies in various fields such as foreign language, finance, IT, reading, and leadership skills.



Category	2019	2020	2021
Number of companies (ea.)	25	10	16
Educational Program (Persons)	115	131	186

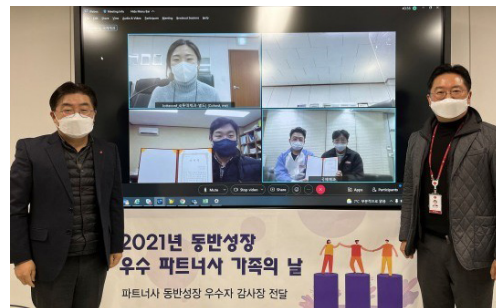
Protecting Partners' Technologies

When practicing shared growth, it is important to internalize the educational and win-win cultures among internal employees of as well as employees of partner. Based on this idea, LOTTE Confectionery conducted on-line education on protecting technologies of SMEs for employees that execute duties related to partners, so they can abide strictly by the Subcontracting Act and raise awareness among partners. In 2021, 437 employees participated in this education program, and 409 of them completed the program, showing a completion rate of 94%.

<p>Details of Education</p>	<ul style="list-style-type: none"> • Understanding and protecting corporate intellectual property rights • Cases of technology disputes and responses • Ten core rules for protecting technologies (managerial, physical, and technological security) • Support systems to protect the technologies of SMEs
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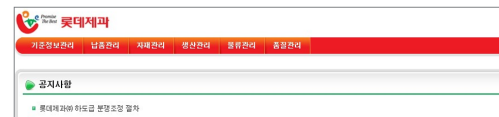
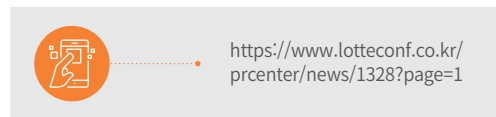
Communication with Suppliers

LOTTE Confectionery holds the 'Partner Workshop' and 'Family Day Event for Excellent Shared Growth Partners' to help our partners understand the shared growth programs and strengthen partnerships. The Partner Workshop celebrated its 12th anniversary in 2021, and was held online with 42 partners to prevent the spread of COVID-19, as done last year. Through this workshop, we shared information on enactments and amendments of laws related to food safety and exemplary cases of complaint prevention. During the Family Day Event for Excellent Partners, LOTTE Confectionery visited 15 companies to hand over appreciation letters and prizes and listen to their difficulties. Moreover, a new reward system was established in 2020 to reward employees of outstanding partners, expressing our gratitude for their hard efforts.



Unfair Conduct Report Channel for Suppliers

LOTTE Confectionery is always ready to listen to the voices of suppliers. The idea suggestion forum on the LOTTE Confectionery website takes business ideas and suggestions from suppliers. Also, the reporting system on the website takes reports on unethical issues and matters that require improvement.



Social Contributions

Social Contributions

LOTTE Confectionery promotes a diverse range of social contribution activities under the slogan of 'Delicious Sharing and Warm World.' We engage in different social contribution activities, including 'Sweet Dream' that provides integrated lifecycle support for children, to help as many people as possible to grow their dreams and hopes in a warm nest through healthy and delicious food products.

Integrated Support-type Social Contribution throughout Children's Lifecycle - Sweet Dream



1 Sweet Home

In cooperation with Save the Children, an international NGO, LOTTE Confectionery has been using the revenues from Pepero to construct local children's centers for local governments under a project called 'Sweet Home' every year since 2013. The ninth center was built in the Gamcheon Culture Village, Saha-gu, Busan, in November 2021 by renovating an existing children's center that was originally built over 30 years ago. The ninth center has resting, playing, learning, and counseling spaces for children. The tenth center will be completed in Yeongwol-gun, Gangwon-do Province, in November 2022, and LOTTE Confectionery will continue this project to improve the emotional development and learning abilities of children.

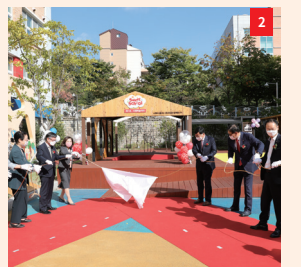
Organization: Save the Children



2 Sweet School

'Sweet School' is another social contribution project carried out by LOTTE Confectionery, started in 2020 using the revenues from Pepero, similar to 'Sweet Home.' We build play facilities in unused spaces at elementary schools to invigorate the play culture and thereby guarantee the students' right to play. The second Sweet School was opened in 2021 at Wontong Elementary School in Inje-gun, Gangwon-do Province, and was named 'Ggumdanteo Playground' by students. This place has various play facilities like slides, basket swings, and Pepero slack-lines. The third Sweet School will be completed in October 2022 at Jinseong Elementary School in Jinju-si.

Organization: Save the Children



3 Sweet Picnic

Sweet Picnic is a cultural experience program prepared for the beneficiaries of Sweet Home. We offer children field trips to 'Sweet Factory,' the confectionery museum of LOTTE Confectionery, and affiliates of LOTTE. This program has been discontinued temporarily since 2020 due to COVID-19 but will be resumed once the pandemic situation subsides.

Organization: Save the Children



4 Sweet Box

Sweet Box is a product donation program of LOTTE Confectionery that was launched in 2013. We share our warm hearts with local children, disabled persons, seniors, soldiers, COVID-19 patients, and medical professionals through this program.

Organization: Community Chest of Korea, Korean Red Cross, Save the Children, Beautiful Store, Green Umbrella Child Fund, etc.



'Sweet Dream' received the Minister prize from the '1st Korean Good Donator Award' hosted by the Ministry of Public Administration and Security in December 2021 for contributing to the spread of sharing culture by continuously sharing and leading changes in the community. LOTTE Confectionery will carry on activities of sharing for children and the community.



Social Contributions Linked to Xylitol

Dr. Xylitol Bus

Started in March 2013, this social contribution program is a part of the 'Republic of Korea with Healthy Teeth' project that provides free outreach dental care services in cooperation with the Korean Dental Association. We visit people who are deprived of dental services, such as seniors who live alone and disabled persons, once a month. In 2021 and 2022, we provided one dental treatment service per month for children and guardians of Yongin Bobath Children's Hospital, victims of the forest fire in Uljin, and special contributors to Afghanistan. Furthermore, we conducted public relations for the prevention of oral diseases and provided oral care education for children and adolescents.

Organization: Korean Dental Association



Gum Chewing Campaign to Prevent Drowsy Driving

This program raises awareness of the importance of preventing drowsy driving by giving away gum and candies to customers who visit expressway tollgates and rest areas on their way home during national holidays. We have been collaborating with the Korea Expressway Corporation since 2013, and also conducting PR on the good effects of gum chewing, such as the prevention of drowsiness and improvement of focus.

Organization: Korea Expressway Corporation



Social Contributions Involving Employees



Charlotte Volunteer Service Group

Each affiliate of the LOTTE Group operates the Charlotte Volunteer Service Group consisting of employees. LOTTE Confectionery formed a volunteer group called 'Hamhaengbok,' meaning 'People Who Make Happiness Together,' in 2005. This volunteer group has been sharing with neighbors in the community for 18 years. In 2021, LOTTE Confectionery donated daily necessities and products to local welfare centers to minimize face-to-face contact and prevent the spread of COVID-19.



Turn Toward Busan promotion message on Pepero package in 2021

Turn Toward Busan Agreement

November 11, 'Pepero Day,' is also 'UN Veterans Day.' On the 70th anniversary of the Korean War, LOTTE Confectionery signed the 'Turn Toward Busan' agreement with the Ministry of Patriots and Veterans Affairs, Busan Office and Busan Nam-gu Office in September 2020 to honor the sacrifice and devotion of UN war veterans. In 2021, we made about 570,000 Pepero products inserted with the introductory message of 'Turn Toward Busan' to publicize the UN Veterans Day. We also delivered COVID-19 quarantine supplies and thank-you letters to diplomatic offices (Australia, Belgium, and the Netherlands), Korean War veterans, and their families. Through these activities, we strive to raise the awareness that November 11 is 'Pepero Day' for sharing our heart with others.



Turn Toward Busan agreement ceremony



Delivering gifts to UN veterans through Turn Toward Busan (November 2021)

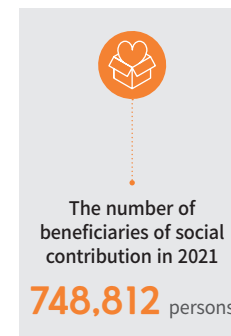
List of veteran countries sponsored

Country	Number (EA)
Australia	200
Netherlands	100
Belgium	100
Republic of Korea	100

Cumulative Number of Social Contribution Beneficiaries

(Unit: Person)

Category	2020	2021	Cumulative (2010~)
Sweet Home	220	268	1,337
Sweet Picnic	27	-	208
Sweet School	1,050	1,423	2,473
Dr. Xylitol Bus	34	370	4,918
Sweet Box	826,680	723,000	5,772,160
Sweet Factory	4,172	-	419,363
Gum Chewing Campaign to Prevent Drowsy Driving	8,784	23,100	377,596
Total	840,967	748,812	6,579,355



Social Contribution Expenses

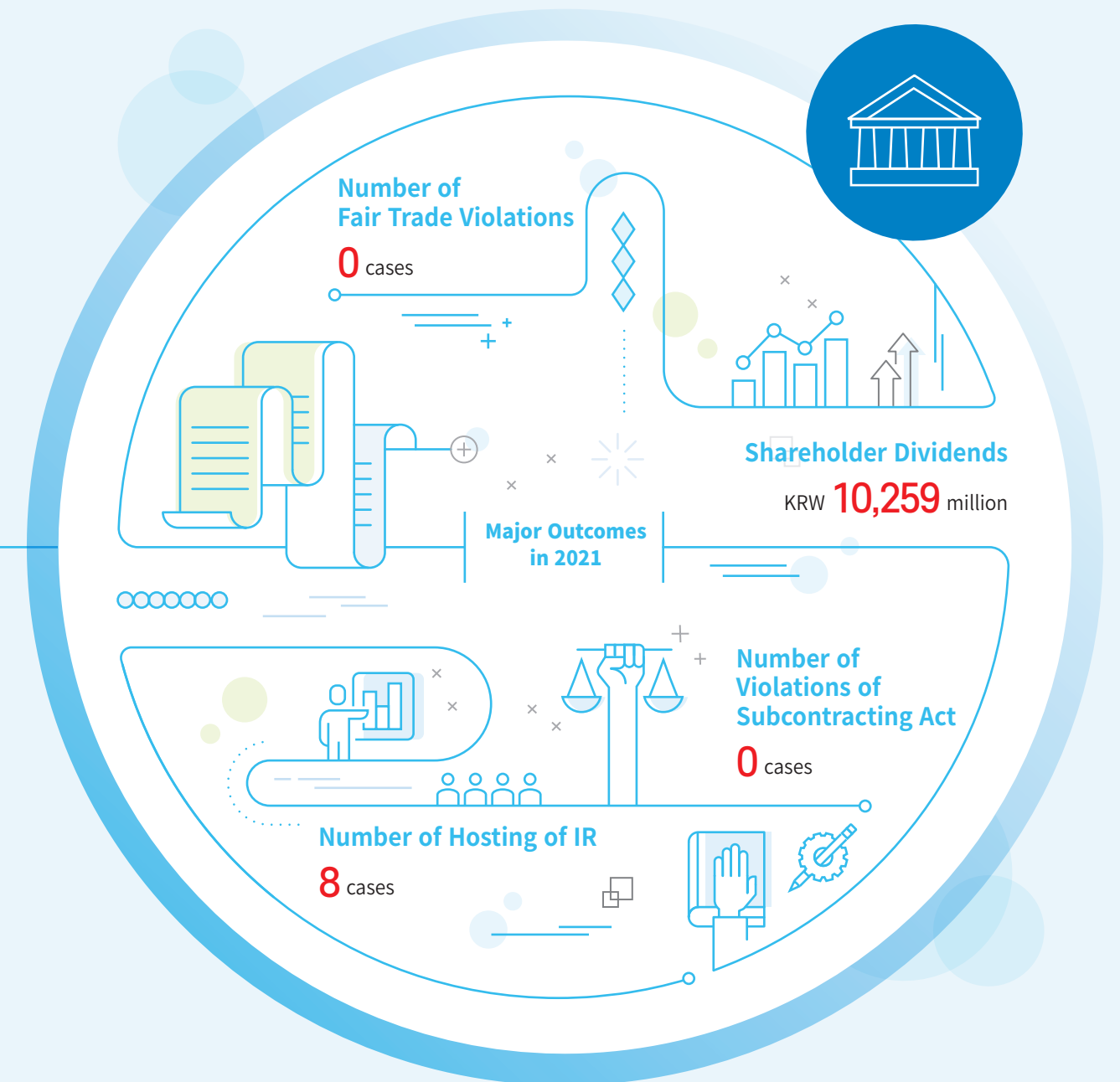
(Unit: KRW)

Category	2019	2020	2021	Remarks
Charitable donations	9,170,080,031	5,710,069,490	6,005,990,885	Donation in cash and spot
Community investment	231,313,594	334,863,321	911,095,055	Establishment of community child welfare facilities (Sweet Home/School)
Commercial initiative	2,039,803,580	1,587,874,823	4,214,101,718	Sponsorship of sports associations, operation of experience center, etc.
Total	11,441,197,205	7,632,807,634	11,131,187,658	



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Governance

Board of Directors

Composition and Rules of the BOD

LOTTE Confectionery operates a Board of Directors consisting of 5 independent directors out of 9 board members (55.6% ratio of independent directors) to reinforce the independence and transparency of the BOD. In addition, we enhance transparency by appointing independent directors whose independence has been approved through the Independent Director Candidate Recommendation Committee, and support the BOD in supervising and checking the management. Decisions of the BOD are deliberated and voted on according to the Articles of Association and BOD regulations. Directors who have a special interest or a possibility of conflict of interest may be restricted from exercising their voting right.

Name	Purpose of Organization	Composition
Board of Directors	The highest decision-making body that decides main items in company management of LOTTE Confectionery	4 Executive Directors, 5 Independent Directors Dong-Bin Shin, Young-Gu Lee (Chairman), Gyung-Hwon Lee, Sung-Wook Hwang, Jong-Jun Kim, Geon Na, Dong-Gyu Lee, Mun-Gi Sohn, Deok-Nam Hwang
Nomination Committee	Decides the necessary matters to recommend independent director candidates	5 Independent Directors Mun-Gi Sohn (Chairman of Committee), Jong-Jun Kim, Geon Na, Dong-Gyu Lee, Deok-Nam Hwang
Audit Committee	Approval for supervision of performance of duties, appointment of external auditors, etc.	3 Independent Directors Jong-Jun Kim (Chairman of Committee), Geon Na, Mun-Gi Sohn
Remuneration Committee	Approval of remuneration limit and individual remuneration (including bonus) of registered directors	3 Independent Directors Geon Na (Chairman of Committee), Dong-Gyu Lee, Mun-Gi Sohn
ESG Committee	Determines and reviews ESG management activities and related investment decisions	1 Executive Director, 5 Independent Directors Young-Gu Lee, Deok-Nam Hwang (Chairman of Committee), Jong-Jun Kim, Geon Na, Dong-Gyu Lee, Mun-Gi Sohn

* As of June 2022

Number of board members

The BOD of LOTTE Confectionery comprises executive directors with proven management ability and independent directors from diverse backgrounds to ensure that the BOD makes professional and reasonable decisions. Independent directors consisting of one director in the food field, two directors in the legal field, one director in the accounting/finance field, and one director in the design field make decisions on the key management issues of the company on behalf of various stakeholders. One of them is Deok-Nam Hwang, the first female independent director appointed in March 2022. She plays the role of reviewing our company's issues from a broader perspective. We hold regular and nonregular meetings between members to discuss the current issues related to company management in-depth. Accurate internal data of the company needed for the BOD to make reasoned judgments are promptly provided by the company officials. In particular, an expert in the field of accounting and finance is the representative auditor in the Audit Committee, and is professionally qualified to play the role of a supervisor in the accounting and affairs of the company.

Category	Name	Current Position	Career History	Field of Expertise	Recommender	Gender
Executive Directors	Dong-Bin Shin	(Current) LOTTE Group Chairman	Columbia University MBA, (Current) LOTTE Corporation CEO	Management	Board of Directors	Male
	Young-Gu Lee	(Current) LOTTE Confectionery CEO	Soongsil University, Undergraduate School of Industrial Engineering, (Former) LOTTE Chilsung Beverage CEO	Management		Male
	Gyung-Hwon Lee	(Current) Director of LOTTE R&D Center	Korea University, Graduate School of Biomedical and Life Science, Ph.D., (Former) Director of LOTTE R&D Food Division	Food Engineering		Male
	Seong-Uk Hwang	(Current) LOTTE Confectionery Financial Strategy Division	Kookmin University, Department of International Trade, (Former) LOTTE Shopping Policy	Accounting/ Finance		Male
Independent Director	Jong-Jun Kim	-	Sung Kyun Kwan University, Undergraduate School of Economics, (Former) President of Hana Bank, (Former) Advisor of BAE, KIM & LEE LLC	Accounting/ Finance	Independent Directors Candidate Recommendation Committee	Male
	Geon Na	(Current) Professor at Hongik University IDAS	Tufts University, Graduate School of Industrial Design, Ph.D., (Former) Chairman of Korea Academy of Design Management	Design		Male
	Dong-Gyu Lee	(Current) Standing Advisor of Kim & Chang	Korea National Defense University, Graduate School of Safety and Security Studies, (Former) Secretary General of Fair Trade Commission	Law		Male
	Mun-Gi Sohn	(Current) Professor at Department of Food Science and Biotechnology, Kyunghee University	Rutgers University, Food Engineering, Ph.D., (Former) Minister of Food and Drug Safety	Food		Male
	Deok-Nam Hwang	(Current) Mediator of the Seoul Central District Court	(Former) Judge of Seoul Central District Court and Seoul High Court	Law		Female

* As of June 2022

Operation Status of the BOD

The Board of Directors of LOTTE Confectionery is hosted regularly according to the annual operation plan, and a temporary BOD is hosted when necessary. In 2021, we discussed a total of 31 cases by hosting Nine board of BOD meetings The attendance rate of independent directors was 100%, and the details are disclosed via Business Report, Corporate Governance Report, and our website.

Category	2019	2020	2021
Number of BOD Meetings (Session)	10	8	9
Number of Agenda (Case)	30	29	31
Attendance Rate (%)	Executive Directors	80	75
	Independent Directors	99	97

Performance Assessment and Reward of the BOD

LOTTE Confectionery conducts an annual independent assessment on directors whose term will be expiring and all current independent directors. The assessment is conducted by the Assessment Committee of internal executives, and contributions to the BOD, expertise, initiatives, etc. are reflected based on the assessment criteria to determine appointment to a subsequent term. Regarding remuneration of directors, remuneration limit, individual remuneration amount, etc. are managed transparently and fairly through the Remuneration Committee. For remuneration of individual directors, the remuneration limit is approved by the decision of the shareholder's meeting based on Article 388 of the Commercial Act, Article 47 of the Articles of Association, and Article 5.5.1 of the BOD Management Regulations. The detailed remuneration is calculated by the Remuneration Committee within the BOD. Remuneration is given in the form of fixed pay, and it measures up to the size of the company and the level of remuneration in the same field. Individual remuneration is calculated by reflecting our core values such as business feasibility, contribution to sustainable management, and law observance.

Category	Number of Persons	Total Remuneration Amount (1,000 KRW)	Average Remuneration per Person (1,000 KRW)	Remark
Registered Directors (Independent directors and Audit Committee members excluded)	3	5,026,683	1,256,671	-
Independent directors (Audit Committee members excluded)	2	144,000	72,000	-
Audit Committee members	3	239,000	79,667	-

* The total amount of remuneration for registered directors includes one person's retirement income (including executives who retired during the period subject to disclosure)

** The average amount of remuneration per person was calculated as the average number of people paid from January to December

*** As of the end of December 2021

Governance

Introduction of Corporate Governance Charter

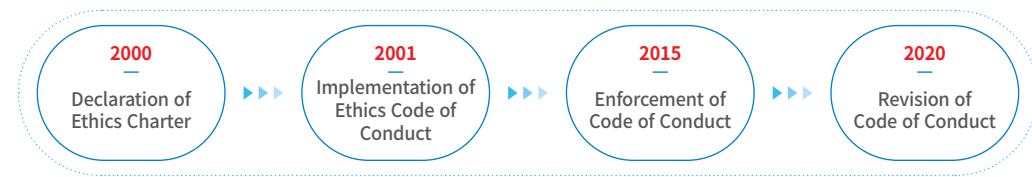
LOTTE Confectionery enacted the Corporate Governance Charter in May 2021 and disclosed it on the website to convey its intent to establish transparent governance to the stakeholders. The Articles of Association and BOD and committee regulations are also disclosed on our website along with the Corporate Governance Charter consisting of 5 chapters: Shareholder, Board of Directors, Audit Organization, Stakeholder, and Management Monitoring by Market. Through these we present the criteria for independence, transparency, expertise, and diversity of the BOD.



Ethical Management

Ethical Management

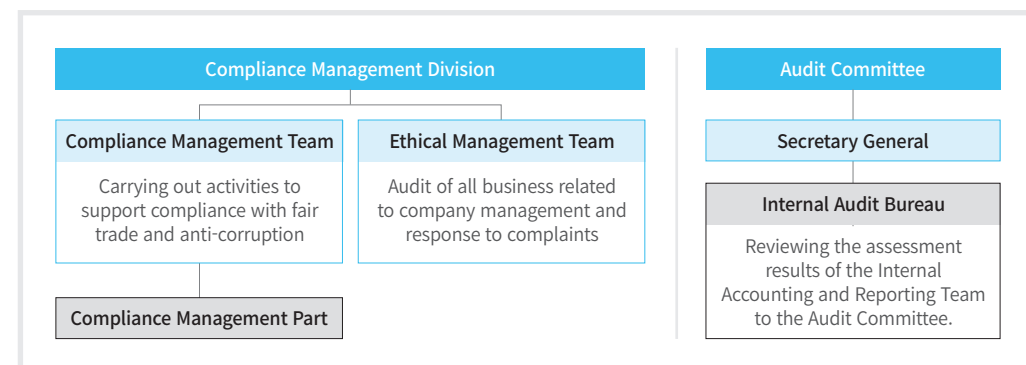
In the information society, the political, economic, and social risks of corporate activities are increasing. The key to preventing such risks is for all employees to strictly fulfill the requirements of ethical management. LOTTE Confectionery declared the Ethics Charter and established and implemented the Ethics Code of Conduct in 2000. In 2015, we established and enforced the 'Code of Conduct of LOTTE Staff' which covers the trust of employees, customers, partners, and society. In 2020, we will fulfill the requirements of ethical management by revising and fulfilling the 'Code of Conduct of LOTTE Staff,' and aim to become a leading firm that shares its achievements and values with customers, employees, partners, and shareholders.



Trust of Our Customers	Trust of Employees	Trust of Our Partners	Trust of Our Shareholders	Trust of Society
<ul style="list-style-type: none"> Provision of products and services of highest quality Honest marketing Customer information protection Brand protection 	<ul style="list-style-type: none"> Fair opportunities and fair treatment Mutual respect among members, gender equality Safe work environment, protection of assets Protection of intellectual properties Prevention of information leakage 	<ul style="list-style-type: none"> Compliance with the Fair Trade Act Respect for business partners Fair competition Lawful collection of information Prohibition of corruption and illegal solicitation 	<ul style="list-style-type: none"> Increased shareholder value, prevention of conflicts of interest Transparency in accounting No insider trading 	<ul style="list-style-type: none"> Environmental protection Social value creation and social contributions Respect for human rights, respect for cultural diversity Legal compliance in all countries Separation of politics and the economy

Ethical and Compliance Management System

LOTTE Confectionery operates the Compliance Management Division as an organization dedicated to ethical management and compliance management. We institutionalized advanced prevention processes against management risks such as violations of laws through the compliance system introduced in 2018 to establish a company-wide compliance culture. In addition, we are increasing the credibility of financial statements of the company through the Audit Secretariat under the Audit Committee.



Compliance column within intra-company newsletter

Ethical Management Communication

LOTTE Confectionery is sharing the importance of ethical management and implementation history with internal and external stakeholders, including employees of the company and partners, through a variety of internal communication channels. We use various methods, including a compliance pop-up quiz on our website and regular posting of columns related to compliance in the company newsletter.

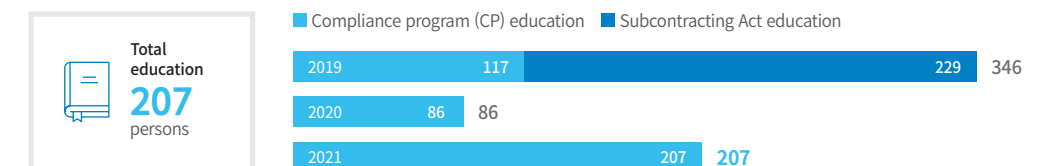
LOTTE Confectionery Complaint Reporting System Website https://www.lotteconf.co.kr/operation/complaint/view	Email hotline@lotte.net	Receipt by mail 10, Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul (LOTTE Confectionery, Ethical Management Team)	Fax +82-2-2670-6493 LOTTE Confectionery, Ethical Management Team
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Compliance Education of Employees

LOTTE Confectionery conducts anti-corruption education for new employees and executives to raise ethical awareness and reinforce legal compliance. We conducted education on the Improper Solicitation and Graft Act (Kim Young-ran Act) for new employees until 2019 and since 2020, all employees mandatorily participate in LOTTE Code of Conduct training supervised by LOTTE Group. In addition, we conduct education on the Subcontracting Act and fair trade compliance for employees of the compliance-related divisions.

Ethical Management Education

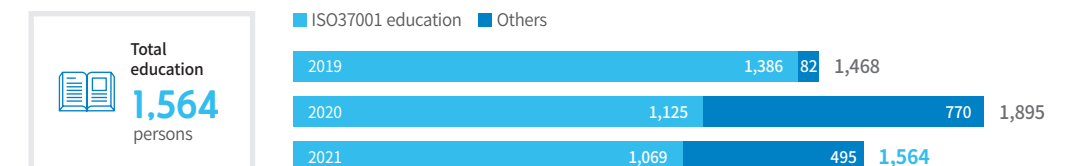
(Unit: Person)



* Subcontracting Act education not conducted in 2020 (due to COVID-19)

Anti-corruption education

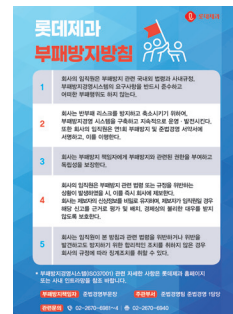
(Unit: Person)



* Education was conducted after enacting the 'LOTTE Code of Conduct' in 2020



Certificate of Anti-Bribery Management System



Disclosing and Distributing Anti-Corruption Policy

Acquisition of Anti-Bribery Management System (ISO37001)

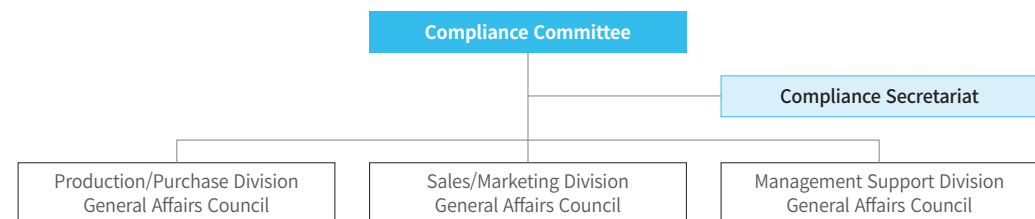
LOTTE Confectionery aims to have transparent management practice and share its achievements and values with all stakeholders. As part of these efforts, the anti-corruption management system (ISO37001), an international standard system in compliance, was certified for the first time in the confectionery industry in April 2019 and has been maintaining the status.



1. Employees of the company shall comply with domestic and international laws related to anti-corruption, internal regulations, and the requirements of the Anti-Bribery Management System. Employees shall not engage in any act of corruption.
2. The company shall establish and continuously operate and develop an anti-bribery management system to prevent and reduce corruption-related risks. Employees of the company shall sign the pledge of anti-corruption and compliance management annually and fulfill it.
3. The company shall grant rights related to anti-corruption measures to the person in charge of anti-corruption and ensure his or her independence.
4. Employees of the company shall immediately report to the company if a situation of violating laws or regulations related to corruption occurs. The company shall keep the personal information of the reporter confidential. If the reporter is an employee of the company, the company shall protect the reporter from receiving disadvantageous treatment in terms of evaluation, placement, and finance due to reporting.
5. If an employee violates the related law or fails to take a rational measure to prevent the violation, the company may take a disciplinary action according to the company regulations.

LOTTE Confectionery operates the Fair Trade Compliance Program to prevent violations of law and lead the establishment of fair and transparent competition orders. The compliance manager is appointed upon approval of the BOD, performs the role of supervisor of the Compliance Secretariat, and handles practical rights and responsibilities over the effective operation of the compliance program. In addition, we appoint the team leaders of all departments and field managers at all sites as compliance officers. Each department conducts a self-supervised review of law enactments and amendments related to their duties once every two months to prevent legal risks throughout the company. In addition, we are striving to fulfill ethical management such as checking risk elements related to unfair trade practices through the Compliance Secretariat and carrying out fair trade education for employees. We also operate the 'Complaint Reporting System' for reporting and whistleblowing on ethics violations by the company and the 'Clean Center' to strictly prohibit the receipt or request of money or valuables.

Fair Trade Compliance Committee Organization Chart



Introduction to Fair Trade Compliance Program

Protection of Shareholders' Rights

General Meeting of Shareholders

The BOD of LOTTE Confectionery approved an electronic voting system for the 4th regular general meeting of shareholders to enable shareholders to smoothly exercise their voting rights in February 2021, and it has been applied since March 2021. We also recommended the exercise of voting rights by proxy before hosting the 1st to 4th regular general meetings of shareholders to carry out the meeting smoothly and secure the necessary quorum. We conducted the 4th regular general meeting of shareholders in distribution for the convenience of shareholders, and we send a notice of convening two weeks before the general meeting of shareholders. In addition, we send a notice of convening to shareholders holding shares of less than 1/100 of the total number of issued shares with voting rights by mail, and the translated version of a notice of convening to major foreign shareholders. We also notify through the Financial Supervisory Service, Korea Exchange e-disclosure system, and our website. The detailed information is disclosed on our website, including the yes and no percentage of each agenda at general meetings of shareholders, which were held from the start of the target period of the business year to the date of submitting notice documents, and results of the voting.

Protection of Shareholders' Rights



The 4th LOTTE Confectionery Regular General Meeting of Shareholders



2022 Extraordinary General Meeting of Shareholders of LOTTE Confectionery

Extraordinary General Meeting of Shareholders

On May 27, 2022, LOTTE Confectionery held an extraordinary general meeting of shareholders with the participation of shareholders accounting for 89.3% of all shares with voting rights (6,416,717 shares). Intending to become a comprehensive food company that offers greater value to consumers, this extraordinary meeting approved a merger contract for merging LOTTE Foods as of July 1, 2022, and also approved partial changes to the Articles of Association. The meeting also resolved the appointment of new directors and auditors following the merger and the reduction of capital reserves by KRW 360 billion to enhance shareholder values through the payment of dividends. Furthermore, to protect the rights of shareholders, we granted appraisal rights to the shareholders opposing the merger.

Category	Merger Price (by share)	Merger Ratio	Total Assets*
Lotte Confectionery (Surviving Corporation)	KRW 114,795	1	KRW 2730.6 billion
LOTTE Foods (Merged Corporation)	KRW 322,020	2.8051744	KRW 1365.7 billion

* Based on the Consolidated K-IFRS as of the end of June 2022

Shareholders and Investors Communication

LOTTE Confectionery strives to provide timely information of the company to various stakeholders, including shareholders and investors. We announce results by posting quarterly IR data on our website. And we answer the questions of investors and listen to the requests made to the company through investor relations and NDR (Non-Deal Roadshow) for major institutional investors. The dedicated IR division also carries out communications through frequent meetings with institutions and individual investors. In particular, we are expanding our contactless forms of communication due to COVID-19, such as video conferences and conference calls, for the convenience of shareholders. For the convenience of domestic and foreign shareholders, we disclose the related materials in Korean and English.

Investor Relations (IR) Hosting Status

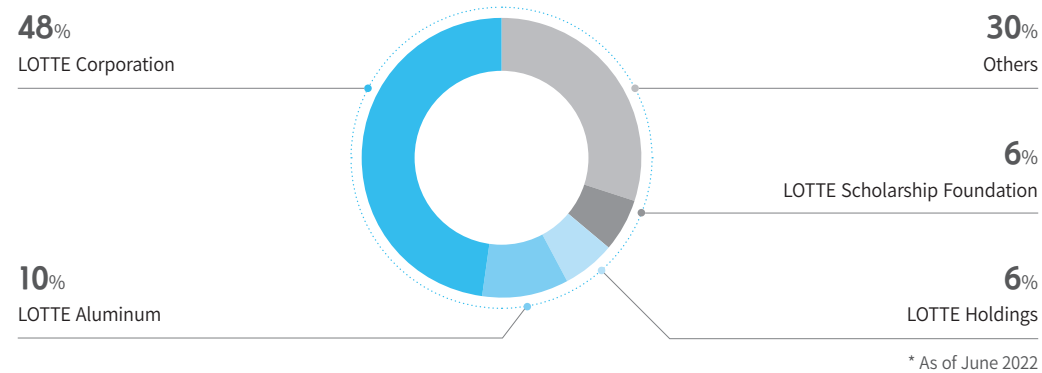
(Unit: Session)

Year	2018	2019	2020	2021
Sessions	4	0	4	8

Transparent Disclose

LOTTE Confectionery tries to provide accurate information about the overall business affairs of the company to shareholders and stakeholders in the market at the right time. We announce the convocation of general meetings of shareholders while providing sufficient information for a period longer than the legal convocation period to guarantee that our shareholders can exercise their rights. In addition, when the Board of Directors makes decisions about major management affairs of the company or a fact that can have a significant impact on investment decisions arises, it is immediately announced to the market. As of June 2022, LOTTE Corporation is the largest shareholder of LOTTE Confectionery, and its share ratio is 48.42%. The total shares of affiliated parties is 75.88%.

Share ownership ratio*



In addition, we have set disclosure information management regulations to accurately, completely, fairly, and timely disclose all disclosure information of the company according to the related laws. The ESG Team is in charge of the Disclosure Division, which is composed of two disclosure managers with expert knowledge about disclosure affairs and one disclosure officer (executive) who is in charge of supervision of the Disclosure Division. The disclosure managers and the disclosure officer are registered to Korea Exchange based on Article 88 of the Regulations on Stock Market Disclosure.

Risk Management

Company-wide Risk Management System

LOTTE Confectionery established its company-wide risk management system to predict potential risks and strengthen its ability to exercise an effective response in various fields, including price change of raw materials, exchange rate, change of quality and safety laws and policies, safety at business sites, change of population structure, and business management due to natural disasters. Through this management system, we strive to systematically manage risks by identifying potential risks that may occur in each organization and classifying the management organization and management policy of each risk.

Definition and Management of Potential Risks

Type of Potential Risks	Definition and Effects	Management Policy	Exclusive Organization
Supply and Demand of Raw Materials Fluctuation Risks	Risks of supply and demand and production cost may occur due to rapid price fluctuation of main raw materials, which can affect profits and losses	<ul style="list-style-type: none"> Regular monitoring of price and supply status of raw materials Monitoring of quantitative market index Monitoring of qualitative news Hosting hands-on meetings and finding countermeasures in the event of a raw material supply issue 	Value Purchase Team, Management Strategy Team
Foreign Exchange Risks	The uncertainty from foreign exchange fluctuation may affect overseas sale activities and cause changes in the financial stability of the company	<ul style="list-style-type: none"> Establishing policies for managing foreign exchange risks of functional currency Managing foreign exchange risks occurring from potential trades in the future and recognized assets and liabilities Managing the maximum exchange loss for the exchange risk exposure within the risk tolerance range using the exchange risk management model 	Financial Strategy Division
Quality and Safety Laws and Policy Change Risks	Legal risks may occur if an advanced response to changes in the quality and safety laws and policies is applied to business sites, which can affect the operation of business sites and product production	<ul style="list-style-type: none"> Establishing a company-wide law monitoring system - Reviewing advanced applications and responding by checking change point of applying matters from the stage of prior announcement of legislation Sharing the revision of laws or food-related issues across the company 	Quality Safety Division
Business Site Safety Risks	Defining 5 types of risks (environment, fire, industrial (serious) disaster, health disturbance, electricity elements) that may occur on manufacturing business sites, which can affect the trust of society and employees in the company regarding related accidents	<ul style="list-style-type: none"> Conducting education on industrial safety and security for employees (by business site) Regularly evaluating safety and health risks through the 'LOTTE Safety Management System' (HQ, plants) 	Emergency Safety Division Business Site Safety Part
Population Structure Change Risks	Changes in the demographic structure such as the increasing number of single-person households, the decreasing number of youths, and the increasing number of seniors can affect the overall food industry, and we need to launch products that reflect the needs of customers based on the changing trends	<ul style="list-style-type: none"> Launching small package products considering trends Promoting and reviewing new projects such as functional health foods, meal replacement foods, etc. Merging with LOTTE Foods to establish a lifecycle portfolio 	Marketing Planning Team, Each BM
Climate Change Risks	Physical risks caused by increasing natural disasters due to climate change and performance risks occurring from the implementation process of climate change responses may have business and financial impacts	<ul style="list-style-type: none"> Managing carbon emission status of each business site and investing in energy reduction facilities Regular monitoring of emission trading price, etc. Finding measures to supply renewable energy 	Technical Innovation Team ESG Team
Business Management Risks from Natural Disasters	Business continuity management risks from natural disasters and diseases such as COVID-19 may occur, which can affect the profits and losses of the company and the working patterns of employees	<ul style="list-style-type: none"> Frequently conducting safety inspections to prevent damage from storm and flood to business sites Investigating damage in business sites and people from storm and flood, and conducting necessary measures upon the confirmation of the damage Conducting regular preventive measures against COVID-19, measuring body temperature during access, rotational home working, flexible working, etc. 	Emergency Safety Team
Information Security Risks	Due to the increasing cybersecurity threats such as DDoS and ransomware, information security to protect the personal information of consumers and corporate information has an increasing importance	<ul style="list-style-type: none"> Activities to raise awareness of information security (Quarterly mock virus activities, sending information protection newsletters, regular self-inspections) Forming an exclusive organization in charge of information protection Disclosing information on companies related to information security 	DT Team

Internal Accounting Management System

LOTTE Confectionery established its internal accounting management system according to the generally-recognized accounting handling criteria under 「Article 8 of the Act on External Audit of Stock Companies and Article 9 of Enforcement Ordinance of the same act」 and 「Article 6 of the Regulations of External Audit and Accounting, Etc.」 to provide rational assurance on whether financial statements are written and disclosed. We operate a control system at the company, process, and computer level, and have established internal accounting management regulations. The internal accounting management regulation defines necessary matters required to increase the credibility of financial statements through the design and operation of a rational and effective internal accounting management system by setting the policies and procedures required for designing, operating, evaluating, and reporting the internal accounting management system.

Appendix

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Major ESG Outcomes

Economy

Summary of Separate Financial Statements

Category	Unit	2019	2020	2021
Sales	Domestic	1,435,446	1,434,752	1,441,644
	Overseas	94,700	96,433	104,730
	Total	1,530,146	1,531,185	1,546,374
Operating profit		63,509	86,560	82,693
Profit before Income Tax	KRW million	21,180	50,046	45,216
Net profit		11,059	36,528	30,359
Liabilities		1,130,641	1,121,509	1,082,891
Capital		1,196,397	1,226,856	1,247,780
Assets		2,327,038	2,348,365	2,330,671

Investments and R&D expenses

Category	Unit	2019	2020	2021	
Eco-friendly investment	Energy reduction	34.5	16.4	16.8	
	Investment costs of eco-friendly package facilities	KRW 100 million	0	0	25.4
	Total		16.4	16.8	39.0
R&D expenses	KRW million	13,964	13,134	12,970	
Percentage to sales (Total R&D expenses ÷ Sales of the current term × 100)	%	0.67	0.63	0.60	
Management expenses of crisis and opportunity elements due to climate change	ISO14001 screening expenses	18.5	18.1	24.8	
	Greenhouse gas third-party assurance expenses	KRW million	31.9	31.9	31.9
	Total		50.4	50.0	56.7

Economic Results Distribution

Category	Unit	2019	2020	2021
Dividends to shareholders (Dividend)		8,336	10,259	10,259
Total tax paid to government (corporate tax)		10,845	17,098	14,094
Total amount provided to employees (labor expense and welfare expense)		290,925	284,999	290,157
Amount purchased from suppliers	KRW million	577,945	565,122	600,026
Amount invested in community		231	335	911
Bond surface rate provided		16,221	16,167	13,780
Total economic results distributed		904,503	893,980	929,227

* According to Separate Financial Statements

Governance

Business Site Corruption Risk Assessment

Category	Unit	2019	2020	2021
Total number of business sites		37	36	36
Number of target business sites of corruption risk assessment	Site	37	36	36
Ratio of target business sites of corruption risk assessment	%	100%	100%	100%

* Decrease of the number of workplaces due to the closure of the Hyangnam plant in 2020

Confirmed Corruption Cases and Unfair Trade Act and Countermeasures

Category	Unit	2019	2020	2021
Number of corruption cases	Case	0	0	0
Number of workers who have taken training	Anti-corruption education	1,386	1,125	1,069
	Other (new employee training, group code of conduct training)	82	770	495
	Total	1,468	1,895	1,564

Notice and Training of Anti-Corruption Policy and Procedure

(Worker who have taken training: Workers who have taken anti-corruption education)

Category	Unit	2019	2020	2021
Number of governance (BOD) members		9	8	8
Number of governance members who have taken anti-corruption training	Person	0	0	0
Ratio of governance members who have taken training	%	0	0	0

Major ESG Outcomes

Society

Status of Employees

Category		Unit	2019	2020	2021
Total number of employees			4,623	4,340	4,349
Number of employees	Male	Person	2,853	2,709	2,676
	Female		1,770	1,631	1,673
	Total		2,820	2,691	2,618
Permanent employee status	Number		1,389	1,354	1,406
	Ratio	%	4,209	4,045	4,024
	Total		61.0	62.0	60.2
Contract employee status	Male	Person	30.0	31.2	32.3
	Female		91.0	93.2	92.5
	Total		33	18	58
By business division	Number		381	277	267
	Ratio	%	414	295	325
	Total		0.7	0.4	1.3
Supporting	Male	Person	8.2	6.4	10.0
	Female		9.0	6.8	7.5
	Total		232	225	225
Sales	Male	Person	101	98	102
	Female		333	323	327
	Total		1,528	1,450	1,394
Production	Male	Person	994	893	924
	Female		2,522	2,343	2,318
	Total		1,093	1,034	1,057
Under 30	Male	Person	675	640	647
	Female		1,768	1,674	1,704
	Total		367	279	299
31~50	Male	Person	299	239	261
	Female		666	518	560
	Subtotal		1,993	1,870	1,774
Over 50	Male	Person	1,320	1,230	1,217
	Female		3,313	3,100	2,991
	Subtotal		493	560	603
Total	Male	Person	151	162	195
	Female		644	722	798
	Subtotal		4,623	4,340	4,349

Status of Employees

Category		Unit	2019	2020	2021
Total number of resident employees			33	30	30
Gender	Male	Person	33	30	30
	Female		0	0	0
Position	Executive	Person	7	6	6
	Senior position or higher		26	24	24
Age	Assistant manager or lower	Person	0	0	0
	Under 30		0	0	0
	31~50		29	27	27
	Over 51		4	3	3

New recruitment status

Category		Unit	2019	2020	2021
Male	Permanent employee	Person	202	116	189
	Non-permanent employee		2	0	0
	Part-time worker		295	242	430
Female	Total	Person	499	358	619
	Permanent employee		138	38	98
	Non-permanent employee		207	113	216
Total	Part-time worker	Person	1,243	803	1,065
	Total		1,588	954	1,379
	Permanent employee		340	154	287
Total	Non-permanent employee	Person	209	113	216
	Part-time worker		1,538	1,045	1,495
	Total		2,087	1,312	1,998

Local employment status

Category		Unit	2019	2020	2021
By region	America	Person	366	227	215
	Europe		254	247	492
	Asia (excluding Korea)		620	474	707
	Middle East		170	106	87
	Africa		396	322	489
	Total		54	46	131

Major ESG Outcomes

Society

Employment contract status of overseas corporation by country

Category	Unit	2019	2020	2021
Republic of Korea	Regular worker	4,209	4,045	4,024
	Contract worker	414	295	325
	Total	4,623	4,340	4,349
China	Regular worker	80	73	74
	Contract worker	77	62	71
	Total	157	135	145
Russia	Regular worker	200	226	244
	Contract worker	62	72	88
	Total	262	298	332
Myanmar	Regular worker	1,563	1,517	1,470
	Contract worker	32	21	0
	Total	1,595	1,538	1,470
India	Regular worker	1,733	1,502	1,450
	Contract worker	579	266	433
	Total	2,312	1,768	1,883
Pakistan	Regular worker	523	502	491
	Contract worker	1,446	1,330	995
	Total	1,969	1,832	1,486
Kazakhstan	Regular worker	4,156	4,160	3,787
	Contract worker	0	0	0
	Total	4,156	4,160	3,787
Belgium	Regular worker	211	194	187
	Contract worker	4	0	5
	Total	215	195	192
Singapore	Regular worker	5	10	14
	Contract worker	1	1	0
	Total	6	11	14
Others (Dubai Office)	Regular worker	1	1	1
	Contract worker	2	2	1
	Total	3	3	2

Diversity of employees

Category	Unit	2019	2020	2021	
Ratio of female employees		%	38.3	37.6	38
	Female		140	60	73
		Male	Person	442	409
Manager status*	Total		582	469	474
	Ratio	%	24.1	12.8	15.4
	Executive status	Female		2	1
Male		Person	37	33	34
Total			39	34	36
Ratio		%	5.1	2.9	5.6
	Female		1,609	1,465	1,518
		Male	Person	2,539	2,383
Status of women in profit-making organization	Total		4,148	3,848	3,873
	Ratio	%	38.8	38.1	39.2
	Ratio of women in BOD		0.0	0.0	0.0
Disabled persons**	Number of persons employed	Person	150	148	140
	Employment rate	%	3.2	3.4	3.2
Veterans	Number	Person	34	33	34
	Ratio	%	0.74	0.76	0.78

* Criteria for managers: Senior position or higher, excluding part-time executives.

The proportion of female managers decreased due to the removal of the position of AS head staff of LOTTE Merchandising Service Center in 2020. The figures in parentheses exclude AS head staff.

** Annual mean including subsidiary Sweet With (disabled persons acknowledged by the Korea Employment Agency for the Disabled)

Voluntary Turnover Status

Category	Unit	2019	2020	2021	
By gender	Male		366	227	215
	Female		254	247	489
	Total		620	474	704
By age	Under 30	Person	170	106	87
	31~50		396	322	486
	Over 50		54	46	131
	Total		620	474	704

* Excluding involuntary resignation (retirement age, contract expiration, etc.)

Major ESG Outcomes

Society

Paternal Leave

Category		Unit	2019	2020	2021
Number of employees with paternal leave rights	Male		814	754	754
	Female		229	207	251
	Total		1,043	961	1,005
Number of employees who received paternal leave	Male		84	45	70
	Female		42	49	67
	Total	Person	126	94	137
Number of employees who returned after paternal leave	Male		76	42	68
	Female		28	46	52
	Total		104	88	120
Number of employees who worked for 12 months or longer after returning from paternal leave	Male		65	33	36
	Female		23	31	18
	Total		88	64	54
Work return rate after using paternal leave		%	82.5	93.6	87.6
Ratio of returners who worked for 12 months or longer*		%	88.5	84.6	72.7

* (Number of employees who worked for 1 year or longer / Number of employees who returned after parental leave from the previous year) x 100

Education

Category		Unit	2019	2020	2021
No. of employees who attended educational programs	Total	Person	37,470	24,722	14,275
Total hours of education	Total	Hours	139,770	51,764	53,182
Education expenditure		KRW million	2,663	1,508	2,135
Educational expense per person		KRW million / person	0.78	0.46	0.73

* Head office, plant, branch office, and sales organization (excluding separate business divisions)

Labor Union and Collective Agreement

Category		Unit	2019	2020	2021
Collective agreement	Number of applicable subjects of labor union	Person	3,148	3,095	3,083
	Total number of labor union members		1,719	1,697	1,693
	Ratio	%	55	55	55

Evaluation and Compensation

Category		Unit	2019	2020	2021	
New employees*	Male (starting salary)	KRW	37,129,790	37,253,770	38,016,700	
	Ratio to total number of employees	%	103.6	101.8	100	
	Female (starting salary)	KRW	35,852,420	36,603,595	38,016,700	
	Ratio to total number of employees	%	96.6	98.3	100	
Employee remuneration status	Total	Person	2,853	2,709	2,676	
		Male	Total amount	172,313,571,381	171,627,449,627	172,614,473,400
		Per person	60,397,326	63,354,540	64,504,661	
	Total	Female	Total amount	64,587,954,254	63,401,843,185	65,062,226,621
		Per person	36,490,369	38,872,987	38,889,556	
	Total	Person	4,623	4,340	4,349	
		Total amount	236,901,525,635	235,029,292,812	237,676,700,021	
		Per person	51,244,111	54,154,214	54,650,885	
Retirement pension operation status	DB	Number of persons	Person	3,569	3,321	3,064
		Amount reserved	KRW 100 million	1,203	1,213	1,253
	DC	Number of persons	Person	786	853	948
		Amount reserved	KRW 100 million	302	357	426
Workers who received periodic performance appraisal	Gender	Male	Person	2,589	2,514	2,493
		Female	Person	871	824	843
	Total		3,460	3,338	3,336	
	Ratio of male		90.7	92.8	93.2	
Total ratio	Ratio of female	%	49.2	50.5	50.4	
	Total ratio		75	77	77	
Employment type	Regular worker		3,456	3,336	3,330	
	Contract worker	Person	4	2	6	
	Total		3,460	3,338	3,336	
	Regular worker ratio		82.1	82.5	82.8	
	Contract worker ratio	%	10	0.7	1.8	
Total ratio		75	77	77		

* There is a difference between the starting salary between male and female employees due to the factor of army salary.

Major ESG Outcomes

Society

Supply Chain Support

Category		Unit	2019	2020	2021
Support on suppliers	Fund	KRW million	27,000	27,000	27,000
	Technology	Case	35	26	29
	Supplier's total		577,945	565,122	600,026
Amount purchased	SMEs	KRW million	145,631	147,920	157,101
	Social enterprises		0	0	0
Ratio of suppliers that received sustainability assessment		%	0	0	0
Number of suppliers screened negatively due to sustainability assessment		EA	0	0	0

Safety and Health

Category		Unit	2019	2020	2021
Industrial accident rate		%	0.15	0.28	0.30
LTIFR*	Employees		0.75	1.28	1.47
	Hours	Hours	40,578	39,660	39,344
Safety and health education	Number of persons completed	Person	2,687	2,661	2,640
	Completed hours per person	Hours/person	15	15	15

* LTIFR (Lost-Time Injuries Frequency Rate): Number of injuries (accidents) that occurred during 12-month period / total hours worked by all employees during same 12-month period × 1,000,000

Ethical Management

Category		Unit	2019	2020	2021
Compliance program (CP) education	Number of persons completed		117	86	207
Subcontracting Act education	Number of persons completed	Person	229	-	0
Total education	Number of persons completed		346	86	207
	Violation of fair trading		0	0	0
	Violation of Subcontract Act		0	0	0
Violation of laws	Number of reports of ethics violations	Case	5	0	3
	Number of measures taken from the report of ethical violations.		5	0	3
	Percentage of reports that led to measures taken	%	100	-	100

Human Rights Management

Category		Unit	2019	2020	2021
Sexual harassment prevention education	Hours	Hours	4,522	4,353	4,370
	Number of persons completed	Person	4,522	4,353	4,370
	Completed hours per person	Hours/person	1	1	1
Disability awareness improvement education	Hours	Hours	4,628	4,502	4,370
	Number of persons completed	Person	4,628	4,502	4,370
	Completed hours per person	Hours/person	1	1	1
Workplace bullying prevention education	Hours	Hours	3,897	3,632	4,359
	Number of persons completed	Person	3,897	3,632	4,359
	Completed hours per person	Hours/person	1	1	1
Total education	Hours	Hours	13,047	12,487	13,099
	Number of persons completed	Person	13,047	12,487	13,099
	Completed hours per person	Hours/person	1	1	1
Violation of laws	Number of human rights VOC received		4	5	3
	Number of human rights VOC handled	Case	4	5	3
	Ratio of human rights VOC handled	%	100	100	100
	Number of human rights lawsuits	Case	0	0	0

Social Contributions

Category	Unit	2019	2020	2021	Remarks
Charitable donations		9,170,080,031	5,710,069,490	6,005,990,885	Donation of cash and products
Community investment	KRW	231,313,594	334,863,321	911,095,055	Building welfare centers for local children (Sweet Home / Sweet School)
Commercial initiative		2,039,803,580	1,587,874,823	4,214,101,718	Sponsorship of sports associations, operation of experience center, etc.
Total		11,441,197,205	7,632,807,634	11,131,187,658	

Major ESG Outcomes

Environment

Environmental Management

Category		Unit	2019	2020	2021
Violation of environmental laws	Number of violations	Case	1	1	0
	Number of business sites certified with ISO14001	Place	8	7	7
	Total number of business sites		8	7	7
Environmental management and eco-friendly product certification	Ratio of business sites certified with ISO14001	%	100	100	100
	Eco-Label products	EA	0	0	0
	Low-carbon products		0	0	0
	Excellent recycling products		0	0	0
	Others		0	10	44
Eco-friendly procurement	Amount of eco-friendly purchase	KRW million	0	1,336	5,910
	Total purchase		577,945	565,122	600,026
	Ratio	%	0.0	0.2	1.0

* Decrease of the number of workplaces due to the closure of the Hyangnam plant in 2020

GHG

Category		Unit	2019	2020	2021
Production quantity		Ton	198,527	197,474	201,279
Scope 1 (direct emissions)	Emissions	tCO ₂ -eq	36,532	34,264	33,488
Scope 2 (indirect emissions)	Emissions	tCO ₂ -eq	86,339	88,459	90,802
Total emissions of reporting organization (Scope 1+2)	Emissions	tCO ₂ -eq	122,871	122,723	124,290
Total emissions of reporting organization (Scope 1+2)	Intensity	tCO ₂ -eq/product ton	0.62	0.62	0.62

* The Scope 1 and 2 Emission values are rounded to an integer level.

Energy Usage

Category		Unit	2019	2020	2021
Power		MWh	182,227	186,203	193,147
Gasoline		KL	299	280	226
Diesel			3,438	3,228	3,104
Gas (LNG/CNG)		1,000Nm ³	11,206	10,509	10,622
Steam		TJ	154	162	161
Propane		Ton	617	563	509
Total		TOE	57,342	57,266	58,753
		TJ	2,489	2,496	2,551
Intensity		TJ/product ton	0.013	0.013	0.013

Amount of raw and side materials used

Category	Unit	2019	2020	2021
Amount of raw and side materials used (70% cumulative mass or higher)	Ton	129,299	118,224	120,757

Pollutants

Category		Unit	2019	2020	2021
Chemical emissions*			-	39.715	149.051
	Biochemical oxygen demand (BOD)		7.527	4.846	15.061
	Chemical oxygen demand (COD)		20.960	20.186	26.511
Water pollutant emissions	Suspensions (SS)	Ton	11.191	12.814	33.157
	Total nitrogen (T-N)		8.293	3.711	17.086
	Total phosphorous (T-P)		1.673	0.995	2.341
	Dust (PM)		0.485	0.362	0.726
Air pollutant emissions	Sulfur oxides (SOx)		0.010	0.014	0.396
	Nitrogen oxides (NOx)		9.640	10.314	14.492
	Total		10.135	10.689	15.614

* No data for 2018 and 2019 as management of the data started in 2020

Water

Category		Unit	2019	2020	2021
Amount of water used	Total	Ton	1,335,215	2,221,804	2,288,137
	Intensity	Ton/product ton	6.726	11.251	11.368
Amount of water reused	Total amount of recycled water	Ton	0	0	0
	Water recycling rate	%	0	0	0

* Increase in values according to changes in the water usage measurement method at some plants (Yangsan, Pyeongtaek) in 2020 - Total usage of 1,417,791 tons in 2020 and intensity usage of 7.180 tons based on the conventional measurement method

Waste

Category		Unit	2019	2020	2021
Designated wastes	Subtotal		152	101	78
General wastes	Subtotal		16,864	16,322	17,361
Construction wastes	Subtotal	Ton	0	0	463
Total wastes (general+designated+construction)			17,016	16,423	17,902
Amount of wastes recycled			15,570	12,279	15,309
Recycling rate		%	92	75	86
Intensity (general+designated)		Ton/product ton	0.09	0.08	0.09

* Temporary increase in overall recycling rate in 2019 according to an increase in recycled amount at some plants

GRI Standards Index

Universal Standards (GRI 100)

TOPIC	No.	Disclosure	Page	Remarks
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Organizational Profile	102-1	Name of the organization	6	
	102-2	Activities, brands, products, and services	6-17	
	102-3	Location of headquarters	6	
	102-4	Location of operations	6-7	
	102-5	Ownership and legal form	-	Annual Report p.3-4
	102-6	Markets served	6-7	
	102-7	Scale of the organization	6-7	
	102-8	Information on employees and other workers	6, 73	
	102-9	Information on employees and other workers	50-52	
	102-10	Significant changes to the organization and its supply chain	-	No significant changes
Strategy	102-11	Precautionary Principle or approach	43-45, 47, 60-62	
	102-12	External initiatives	26-27	
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	102-48	Restatements of information	7, 47, 74-75	Recalculation through a review of the corporate status, rate of service years after return, and compensation status

TOPIC	No.	Disclosure	Page	Remarks
GRI 102 : General Disclosure	102-49	Changes in reporting	-	Not applicable
	102-50	Reporting period	2	
	102-51	Date of most recent report	-	2022.01
	102-52	Reporting cycle	-	9 months
	102-53	Contact point for questions regarding the report	3	
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Economic Performance (GRI 200)

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GRI 201 : Economic Performance	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	8-9	
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GRI 205 : Anti-corruption	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	60	
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Environmental Performance (GRI 300)

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GRI Standards Index

Environmental Performance (GRI 300)

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	GRI 306 : Effluents and Waste	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	37
306-1		Waste generation and significant waste-related impacts	37	
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306-3		Waste generated	37	
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Social Performance (GRI 400)

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GRI 404 : Training and Education	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	49	
	404-1	Average hours of training per year per employee	-	
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Greenhouse Gas Verification Statement

Verification Statement on 2021 Greenhouse Gas Emissions Report

Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 「LOTTE CONFECTIONERY CO., LTD」 to independently verify its 2021 Greenhouse Gas Emissions Report (hereinafter 'the Report').

Verification Scope & Standard

KFQ's verification was conducted on all the facilities which emitted greenhouse gas during the year of 2021 under operational control and organizational boundary of 「LOTTE CONFECTIONERY CO., LTD.」. Direct and indirect sources of emissions (Scope 1, 2) were verified in accordance with the 'Guidelines for reporting and certification of greenhouse gas emission trading systems'(Ministry of Agriculture, Food and Rural Affairs Notice No. 2021-1), 'Guidelines for verification for the operation of the greenhouse gas emission trading system'(Ministry of Environment Notice No. 2021-112), and the annual final monitoring plans registered in the national greenhouse gas management system.

Verification Procedure

The Verification has been planned and conducted in accordance with the procedures stipulated in the 'Guidelines for reporting and certification of emissions in the greenhouse gas emission trading system', and to reach reasonable level of assurance.

Limitations of verification

Accuracy and completeness of emission data reported in the 'the Report' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

Conclusion/Opinion

Through the verification procedures, the following conclusions are presented.

- 1) 'The Report' has been stated in accordance with the 'Guidelines for reporting and certification of greenhouse gas emission trading systems'.
- 2) The result of Material discrepancy for an organization that emits less than 500,000 tCO₂-eq shall not exceed 5% from total emission as the 'Guidelines for verification for the operation of the greenhouse gas emission trading system' specifies.
- 3) Thus, KFQ conclude that the Greenhouse Gas Emissions of 「LOTTE CONFECTIONERY CO., LTD.」 in 2021 is correctly calculated and stated in accordance with the 'Guidelines for verification for the operation of the greenhouse gas emission trading system'.

2021 Greenhouse Gas Emissions of 「LOTTE CONFECTIONERY CO., LTD.」

Greenhouse gas emissions (tCO₂-eq)

Direct Emissions (Scope 1)	33,505.527
Indirect Emissions (Scope 2)	90,848.043
Total Emissions (Scope 1+Scope 2)	124,290

* The above Total Emissions are cut in units of integer for each business site, which cause a difference from the actual value(the summation of Direct and Indirect Emissions).

June 22nd, 2022

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



Ji Young Song

Independent Assurance Statement

To readers of 2021 LOTTE Confectionery sustainability Report

Introduction

Korea Management Registrar (KMR) was commissioned by LOTTE Confectionery to conduct an independent assurance of its Sustainability Report 2021 (the “Report”). The data and its presentation in the Report is the sole responsibility of the management of LOTTE Confectionery. KMR’s responsibility is to perform an assurance engagement as agreed upon in our agreement with LOTTE Confectionery and issue an assurance statement.

Scope and Standards

LOTTE Confectionery 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 the Core Options of the GRI standards 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.

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| • GRI Sustainability Reporting Standards | - GRI 303: Water and Effluents |
| • Universal standards | - GRI 305: Emissions |
| • Topic specific standards | - GRI 306: Effluents and Waste |
| - Management approach of Topic Specific Standards | - GRI 401: Employment |
| - GRI 201: Economic Performance | - GRI 403: Occupational Health and Safety |
| - GRI 203: Indirect Economic Impacts | - GRI 404: Training and Education |
| - GRI 205: Anti-Corruption | - GRI 405: Diversity and Equal Opportunity |
| - GRI 301: Materials | - GRI 413: Local Communities |
| - GRI 302: Energy | - GRI 416: Customer Health and Safety |

As for the reporting boundary, the engagement excludes the data and information of LOTTE Confectionery’s 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:

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| • reviewed the overall Report; | • interviewed people in charge of preparing the Report; |
| • reviewed materiality assessment methodology and the assessment report; | • reviewed the reliability of the Report’s performance data and conducted data sampling; |
| • evaluated sustainability strategies, performance data management system, and processes; | • 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 Confectionery 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.

Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with LOTTE Confectionery 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 Core Option of 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 Confectionery 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 Confectionery 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 Confectionery 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 Confectionery’s actions.

Impact

LOTTE Confectionery identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible. We recommend that it develop models for measuring social values considering its business characteristics to increase the effectiveness of CSR activities and continuously enhance the sustainability management system.

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 Confectionery and did not provide any services to LOTTE Confectionery that could compromise the independence of our work.

Sep. 2022 Seoul, Korea

CEO *E. J. Hwang*



Organizational Membership and Awards

Organizational Membership

Korea Food Industry Association	Korea Management Association	Korea Enterprises Federation
Korea Health Supplements Association	Korea Advertisers Association	Federation of Korean Industries
Korean Foundation for Quality	Korea Listed Companies Association	Korea Ski Association
International Life Sciences Institute Korea	Chamber of Commerce and Industry	KOREA Investor Relations Service

Awards (2021)

Name of Award		Name of Agency	Award Date
2021 it-Award	LOTTE Confectionery Nätuur	Korean Federation of Design Industry Associations	2021.12
1st Republic of Korea Good Donor Awards Award from Minister of Public Administration and Security	LOTTE Confectionery Sweet Dream	Ministry of Public Administration and Security	2021.12
2021 Korea Energy Awards Citation from Prime Minister	LOTTE Confectionery Yeongdeungpo Plant	Ministry of Public Administration and Security	2021.11
2022 Korea First Brand Awards in Colostrum Protein	LOTTE Health One	Korea Consumer Forum	2021.11
2021 Customer Trust No. 1 Premium Brand Red Ginseng	LOTTE Hwangjak	JoongAng Daily, Forbes	2021.8
2021 Customer Trust No. 1 Premium Brand Colostrum Protein	LOTTE Health One Colostrum Protein 365	JoongAng Daily, Forbes	2021.8
ESG Korea Awards Grand Award for Frontier		ESG Happy Economic Research Institute, Korea Sports Economy	2021.5
2021 Brand Loyalty Colostrum Protein	Colostrum Protein	Korea Consumer Forum	2021.4
2021 Asia Consumer Awards	Pepero	Asia Business Daily	2021.1

Credits

LOTTE Confectionery

Mi-Yeong Kim, Dong-Won Kim, Chun-Seok Kim, Tae-Hun Kim, Seong-Min Kwon, Ji-Won Myung, Sang-Seok Bae, Seong-Ho Bae, Cheol-Oh Jung, Bong-Geun Cho, Yun-Geun Cho, Ju-Yeon Ha, Hyeon-Jeong Han, Seo-Il Kang, Dong-Hui Kum, Dong-Hyeon Kim, Hae-Sik Seo, Myeong-Geun Song, Eun-Gyeong Wang, Hyo-In Yoon, Min-Ju Jung, Sang-hun Jung, Shin-Jae Ko, Se-Won Kim, So-Hee Kim, Seung-Hui Kim, Jeong-Hun Kim, Jong-Gu Kim, Yun-Pyo Noh, Min-Gyu Park, Chan-Eol Seo, Mi-Ran Sohn, Ji-Yeong Oh, Jong-Hun Lee, Jin-Ju Lee, Hui-Bok Yang, Jin-A Lee, Min-Hyeong Choi, Yun-Hui Choi, Jae-Hyeok Han, Gwang-Seok Ko, Dong-Gwang Ahn, Jeong-Won Oh, Hyeon-Seon Ji, Bo-Song Hwang

Lotte R&D Center

Jae-Ho Park, Hak-Cheon Heo, Su-Jin Lee, Yun-Ho Noh, Shin-Tak Jun

Lotte People Networks

Su-Ji Lee

Lotte Academy

Bo-Geun Jang, Su-Jin Kim, Yu-Seung Ma

Food HQ

Dong-Wuk Hwang

Sweet With

Hong-Eun Kim

Other Organizations

Hansol Paper - Sang-Hun Oh, Korean Dental Association - Jong-Oh Hyun

