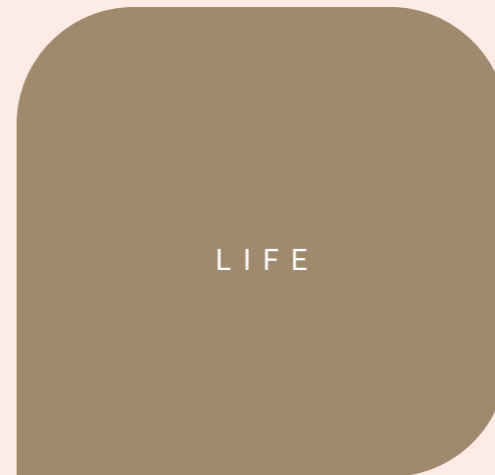
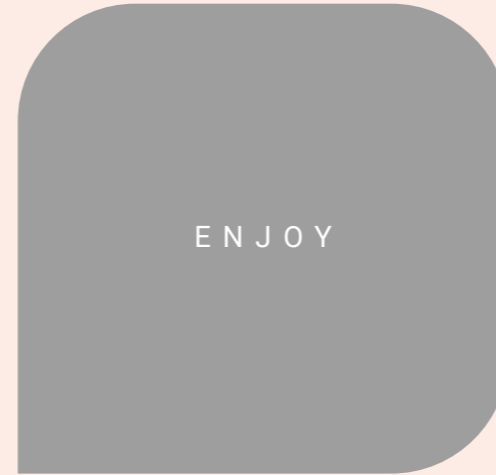


Thinking Tomorrow

MAKE A WELL LIFE

2022 LOTTE WELLFOOD Sustainability Report



ABOUT THIS REPORT

Overview

We published the 2022 LOTTE WELLFOOD Sustainability Report to share our sustainability management activities, achievements, future plans and goals, including the merger and acquisition and change of company name in the previous year, with internal and external stakeholders. This report contains our vision, strategy, and major activities for ESG management, focusing on major sustainability issues of LOTTE WELLFOOD derived through materiality assessment. The Sustainability Report of LOTTE WELLFOOD is published in the middle of each year based on annual sustainability management performances, and this is the third report since the first publication in 2020.

Reporting Period

This report describes financial and non-financial activities and performances from January 1 to December 31, 2022 in a qualitative and quantitative ways. For some major pending issues, the period extends to the first half of 2023, and three-year quantitative performances on environment, society, and governance are presented for better understanding. The data for 2022 is the sum of the performance of the merged corporation (LOTTE Confectionery) and the amalgamated corporation (LOTTE Food) from January to December, and if the calculation standards are different, they are indicated in annotations. Quantitative data for 2020 and 2021 do not include the performances of the amalgamated corporation, and are the same as the data disclosed through the existing LOTTE Confectionery Sustainability Report. Also, consolidated and separate financial statements do not include the performances of the amalgamated corporation from January to June 2022.

Reporting Scope

The main reporting scope covers domestic and overseas business sites, including the headquarters in Seoul, 17 factories (including 4 factories of subsidiaries), branch offices, KAM, and business sites. The performance of some major suppliers is also included.

Reporting Principle

This report was prepared in compliance with the GRI (Global Reporting Initiative) Standards 2021, an international reporting framework for sustainable management. Reporting Issues were selected through materiality assessment based on stakeholder participation, and major issues related to business environment at home and abroad were separately selected and reflected.

Assurance

This report has been assured by Korea Standards Association (KSA), an independent assurance service provider, to ensure data reliability. KSA, as a partner of AccountAbility, an international report verification agency, applied the process of AA1000AS v3 (2020) to conduct verification. The Independent Assurance Statement is available on page 133 and 134.

Inquiries

This report can be downloaded from the LOTTE WELLFOOD website (<http://www.lottewellfood.com>). For inquiries, please contact:

ESG Team of LOTTE WELLFOOD

- Address: 10 Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul
 - E-mail: lconf_esg@lotte.net
 - Tel.: +82-2-2670-6250, 6074
-

Interactive Report User Guide

The 2022 LOTTE WELLFOOD Sustainability Report was published as an interactive PDF with features such as navigation to related pages and links to related webpages.

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: Thinking Tomorrow, Make a well life



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MAKE A WELL LIFE

LOTTE WELLFOOD starts anew with greater potential.

For the past 56 years, LOTTE Confectionery has continued to grow based on love and trust of customers through products that have become part of their daily lives.

With the merger with LOTTE Food in July 2022 as a momentum, we started anew on April 1, 2023 under the new name "LOTTE WELLFOOD" with the goal of becoming a company that delivers greater health and happiness to customers around the world.



LOTTE CONFECTIONERY



LOTTE FOODS



LOTTE WELLFOOD



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SPECIAL PAGE

WELCOME, LOTTE WELLFOOD

LOTTE WELLFOOD, created from the merger of LOTTE CONFECTIONERY and LOTTE FOODS, is inspired by Well Life by Better Food.

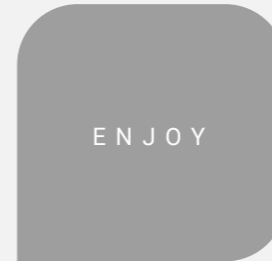
New Name, New Beginning

On April 1, 2023, LOTTE CONFECTIONERY was renamed to LOTTE WELLFOOD as it transformed itself into a comprehensive food company through a merger with LOTTE FOODS.

The new company name was derived after a thorough evaluation of key stakeholders including surveys of 830 employees, multicultural linguistic reviews, brand experts inputs and final resolutions by the Board of the Directors.

“LOTTE WELLFOOD” reflects the company’s new sustainable values of expanding beyond its previous confectionery business to become a leading general food company promoting healthy (well) food culture.

Building upon its new name, LOTTE WELLFOOD will redeploy the strengths of its employees in creating value by promoting healthy food to consumers worldwide.



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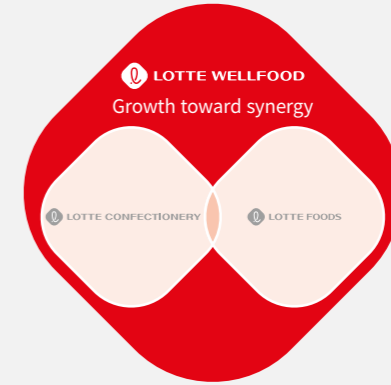
SPECIAL PAGE

Overview of LOTTE WELLFOOD Merge

Food companies need to quickly respond to rapidly changing food market trends, such as the increase in single-person households and diverging and segmented consumer eating habits. Moreover, volatile raw material prices, exchange rate fluctuations and other external environmental risks continue to challenge the long-term viability of companies.

Against this landscape, (former) LOTTE CONFECTIONERY analyzed consumer insights to find innovative ways to improve competitiveness while maintaining sustainable management principles. The conclusion was to transform from a confectionery business to a general food company which inspired the merger between LOTTE CONFECTIONERY and LOTTE FOODS with integrated operations as LOTTE WELLFOOD.

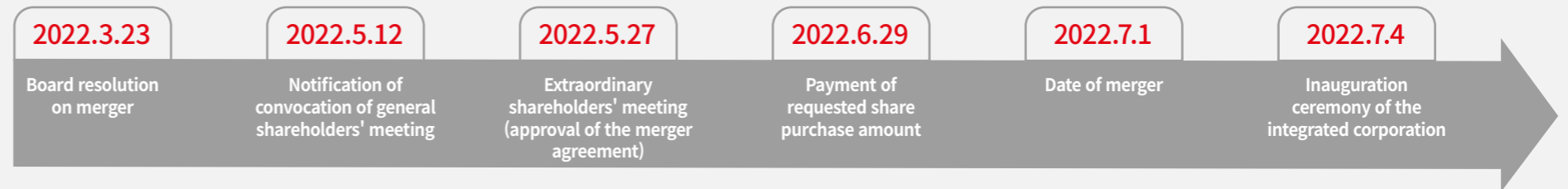
Post-merger integration required breaking down barriers to business expansion, improving management efficiency, realizing overlapping ice cream business synergies and building a lifecycle product portfolio addressing the consumer needs of all ages. The Merger Agreement between the two companies was approved by an Extraordinary General Meeting of Shareholders and the integrated corporation was launched on July 1, 2022.



Classification	LOTTE CONFECTIONERY	LOTTE FOODS	LOTTE WELLFOOD
Market capitalization	KRW 736.6 billion	KRW 389.3 billion	KRW 1,155.7 billion
Total assets (consolidated)	KRW 2,666.6 billion	KRW 1,271.5 billion	KRW 4,105.3 billion
Sales (consolidated)	KRW 2,145.4 billion	KRW 1,607.8 billion	KRW 4,074.5 billion
Operating profit (consolidated)	KRW 108.5 billion (5.1%)	KRW 38.5 billion (2.4%)	KRW 135.4 billion (3.3%)
Domestic plants	7 places	10 places ¹⁾	17 places
No. of employees	4,349 persons	1,940 persons	6,795 persons
Business Area	Confectionery, ice cream, bakery	Oil, ice cream, HMR, meat processing, coffee, food materials, catering	Confectionery, ice cream, bakery, oil, HMR, meat processing, coffee, food materials, catering

Lotte Confectionery, Lotte Food: Based on consolidated financial statements as of the end of 2021
 Lotte WELLFOOD: Sales and operating profit are based on consolidated financial statements in 2022 (including the performance of amalgamated corporation from January to June)
 1) Including 1~4 sites of Lotte Fresh Delica, a subsidiary

Timeline of Merger



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Business Expansion

Expanding for Tomorrow

Upon the merger, LOTTE WELLFOOD has expanded its business scope and is now well positioned to seize new business opportunities and expand globally. Leveraging LOTTE CONFECTIONERY's global sales network with LOTTE FOODS' business know-how, LOTTE WELLFOOD can pursue new growth engines to become a global sustainable integrated food leader.

Global Business Expansion

→ Entrance into Global Markets 52p



Investment in New Business

→ Investment in New Business 55p



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Synergy Creation

Synergy for Tomorrow

Since the merger, LOTTE WELLFOOD has been integrating and streamlining its production, purchasing, and logistics systems. The company expects to achieve synergy benefits such as improving market competitiveness of its products and brands, reducing costs, and enhancing consumer value.

Area	Improvement Activities	Synergy
Production	<ul style="list-style-type: none"> Integration of duplicate and similar lines 	<ul style="list-style-type: none"> Increase of production efficiency by reducing fixed costs and improving capacity usage rate
Purchase	<ul style="list-style-type: none"> Standardization of raw materials Combined purchase of items 	<ul style="list-style-type: none"> Reduction of purchasing costs and enhancement of price negotiation power
Logistics	<ul style="list-style-type: none"> Integrated operation of delivery areas and logistics centers 	<ul style="list-style-type: none"> Integrated delivery of multiple products Securing logistics flexibility by introducing an online-only center
Online Channel	<ul style="list-style-type: none"> Operation of integrated brand mall 	<ul style="list-style-type: none"> Enhancement of consumer value through channel and portfolio expansion and joint promotion

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Enhancement of Value

Value for Tomorrow

The new LOTTE WELLFOOD has expanded its product portfolio spanning the consumer lifespan, from infants to middle-aged adults, providing customers with quality, nutritious, and health-oriented products. Moreover, the company is looking beyond just consumer needs with attention to diverse social and environmental issues. Following the merger, LOTTE WELLFOOD improved shareholder value by increasing Earnings per Share by canceling 60% of the treasury shares of (former) LOTTE FOODS. The company will further improve shareholder value by gradually increasing its dividend payout ratio to over 30%.

Building a Portfolio based on H&W and Lifecycle

→ Core Brands 22p



Enhancing Shareholders' Value

→ Shareholder Rights 114p



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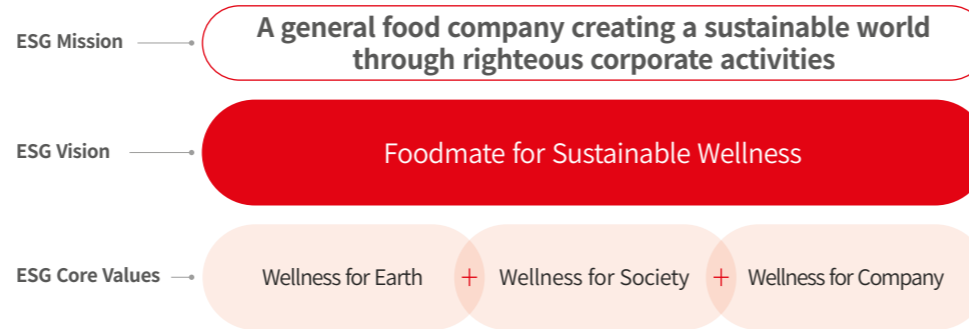
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Sustainable Management

ESG Vision System

[More Details](#)

LOTTE WELLFOOD has renewed its ESG vision, given its new expanded business scope. Based on its new ESG mission, vision, and core values, LOTTE WELLFOOD will become a sustainable integrated food company loved by consumers around the world.



Global Initiative Response Status and Key Activities

[More Details](#)

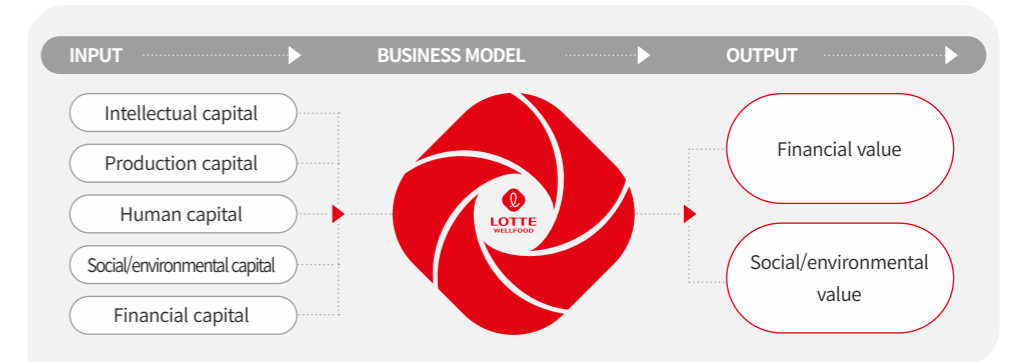
LOTTE WELLFOOD supports the 17 UN SDGs, setting them as sustainable management standards, and implements them throughout its business activities. To fulfill its responsibility for a carbon-neutral environment, LOTTE WELLFOOD joined RE100 and set a goal of using 100% renewable energy by 2040, and plans to convert all of its commercial vehicles to zero-emissions by 2030 through participation in K-EV100.



Sustainable Value Creation

[More Details](#)

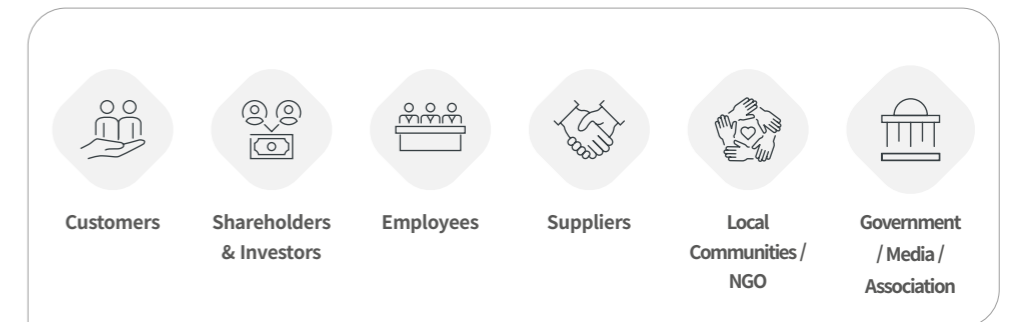
LOTTE WELLFOOD is building a Value Creation Model that identifies the performance of financial and non-financial capital inputs within the supply chain thereby strengthening the ESG vision with business.



Participation of Stakeholders

[More Details](#)

LOTTE WELLFOOD defines stakeholders as all individuals and groups that are directly or indirectly affected by its business operations. The key stakeholders are categorized into six groups: customers, shareholders and investors, employees, suppliers, local communities/NGOs, and government/media/associations. LOTTE WELLFOOD operates online and offline communication channels to monitor stakeholders' views and reflects them in our management activities on a regular basis.



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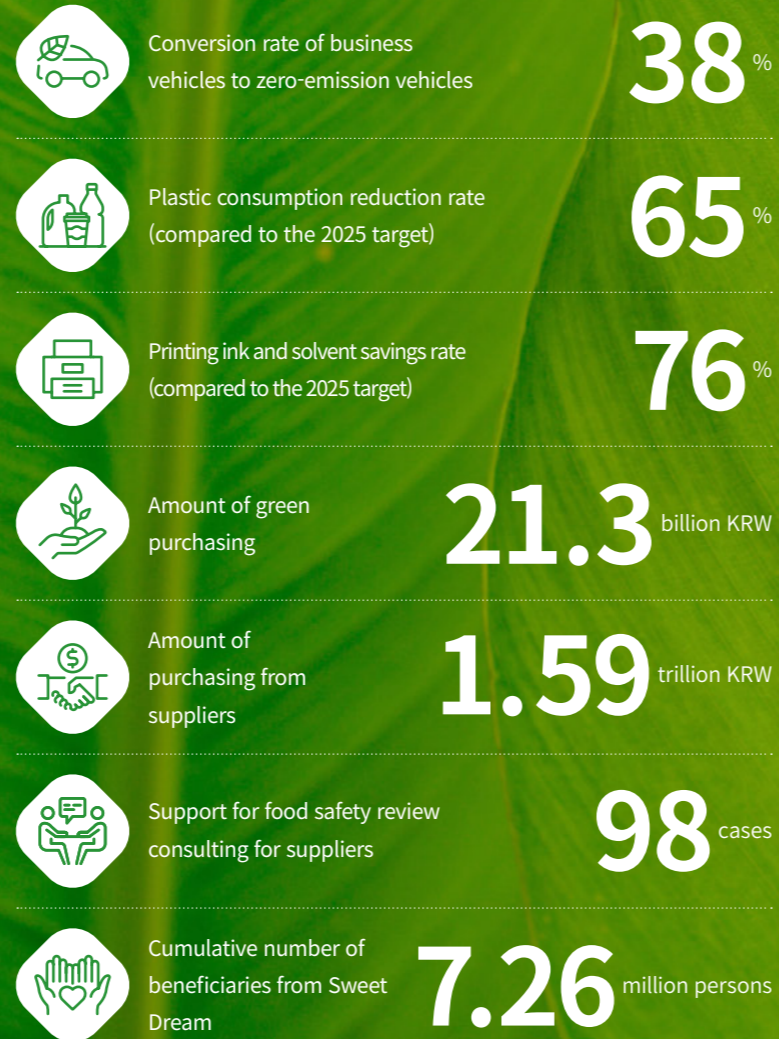
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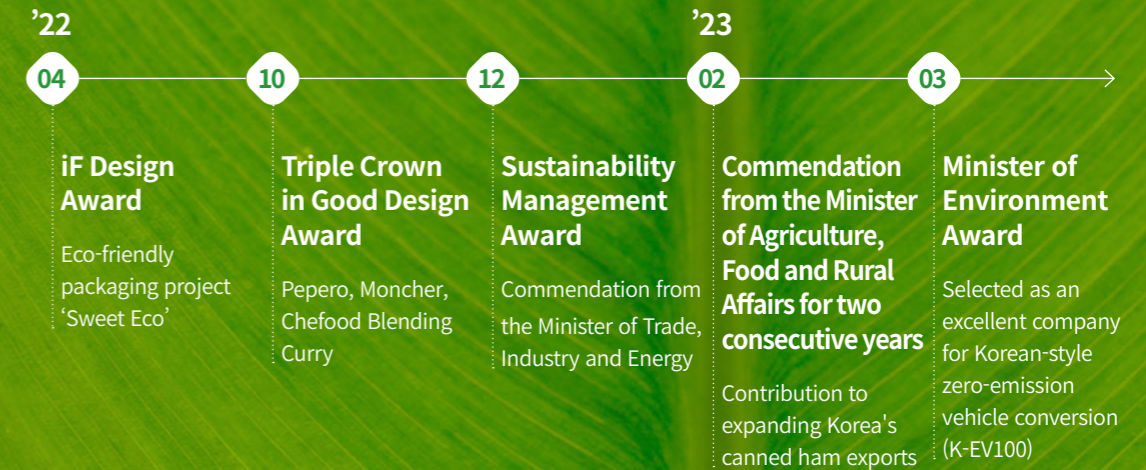
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Sustainable Performance

Major Performances



Major Awards



2022 AT A GLANCE

External Evaluation



ESG evaluation by KCGS

Comprehensive A Grade for 4 consecutive years

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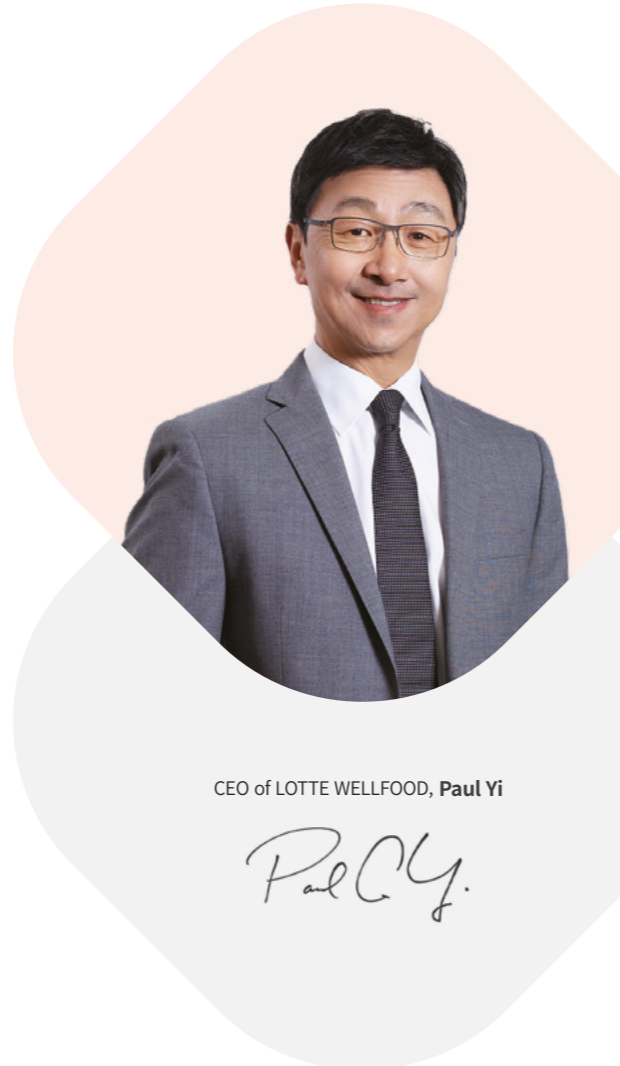
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CEO of LOTTE WELLFOOD, Paul Yi

Dear LOTTE WELLFOOD STAKEHOLDERS from CEO Paul Chang Yi.

2022 was a momentous year for LOTTE CONFECTIONERY and LOTTE FOODS as we merged to create LOTTE WELLFOOD. Combining forces strengthens our capabilities to make food products that promote love, health and happiness for our consumers. Upon the inception of LOTTE WELLFOOD, we are also pleased to present our first Sustainability Report under our new vision of “Food and Culture Partners for Sustainable Wellness.” Our goal of sustainable growth follows three strategic principles:

1) Innovation with a clean environment in mind.

Our products will not only satisfy the needs of today’s consumers but will be eco-friendly ensuring a clean environment for tomorrow’s consumers. LOTTE WELLFOOD is a participating member of RE100 with the goal of achieving carbon neutrality by 2040. Another sustainability goal is 100% renewable energy which we have started by utilizing solar power generation at 8 manufacturing sites, including Cheonan, Hoengseong, and Gimcheon. In addition to building solar power generation facilities at our plants, we will continually pursue eco-friendly steps to mitigate climate change risks by procuring renewable energy, improving water efficiency, and reducing packaging and waste in various ways.

2) Building operational excellence for a healthy society

LOTTE WELLFOOD has established a supply chain monitoring system to ensure sustainability through the corporate value chain, from research to purchasing, production and sales. Furthermore, our safety and health management system strives to improve safety levels throughout the supply chain with constant on-site inspections. Through constant attention to ESG-related inspections and risk management, we will ensure a cleaner environment and quality throughout the supply chain.

3) Enhanced transparency to improve overall company health.

We promise to ensure sound corporate governance for all employees and stakeholders. Our Board of Directors is comprised by experts with diverse backgrounds. The Board of Directors and I are committed to enhance corporate value through bold and timely decision-making. We will provide IR materials and disclosures in English to re-affirm our accountability to both domestic and overseas stakeholders. LOTTE WELLFOOD has already obtained “A” grade for Governance section from the Korea ESG Institute for the second consecutive year.

We promise to continue to grow through sound corporate governance management and transparent information disclosures. We appreciate the support from all our stakeholders as we successfully completed the initial year of our new mission. We will continue to tirelessly work on sustainability without losing sight on our initial mission of contributing to people’s lives by bringing happiness, health, and wellness through delicious, fresh, and nutritious food products.

Thank you.

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ESG Committee Chairperson Letter

Hello, this is Hwang, Deok-nam, the Chairman of the ESG Committee of LOTTE WELLFOOD.

I would like to take this opportunity to express my sincere gratitude to our employees for their efforts to contribute to the sustainable development of LOTTE WELLFOOD and our society and to our stakeholders for their continued encouragement and support.

This is LOTTE WELLFOOD's third sustainability report since the establishment of the ESG Committee under the BOD in October 2021, in which all independent directors participated as members. Since then, the ESG Committee has discussed and made decisions on various material issues related to ESG, including LOTTE WELLFOOD's management of the material problems and joining the RE100. In December 2022, we also appointed the Chief Financial Officer as a member of the ESG Committee to ensure that LOTTE WELLFOOD's financial stability and sustainability efforts are linked and complementary.

Meanwhile, many changes and issues in the external environment surrounded LOTTE WELLFOOD's sustainability management. Although COVID-19 has been relatively mitigated, abnormal phenomena caused by climate change have become a threat that we can all feel. In addition, the importance of workplace safety and health, supply chain management, and human rights management have been strengthened, and various obligations have been imposed on companies.

Therefore, the LOTTE WELLFOOD ESG Committee members feel a greater sense of responsibility than ever before as the highest decision-making body for company-wide decisions on sustainable management. Based on the expertise and independence of each member, the ESG Committee will make more sober and proactive decisions in responding to climate change.

We will periodically review various risks related to climate change surrounding LOTTE WELLFOOD and strive to transform them into opportunities for sustainable management. In addition, we will take the lead in establishing a concrete roadmap and realization plan for the systematic and successful achievement of 2040 carbon neutrality and RE100, which we declared to our stakeholders earlier.

In addition, we will recognize the ESG issues of our partners, who have a significant impact on our value chain, as important as our own, and lead shared growth based on ESG. We will continue to expand the scope and level of our partners' ESG management and closely communicate with them about their challenges in promoting sustainable management so that we can improve both parties' ESG management together. We will actively voice our opinions in the process of systematizing safety and health management and human rights management so that our employees can work in a happy workplace where safety, human rights, and diversity are guaranteed.

In order for LOTTE WELLFOOD to become a company that contributes more to the sustainable development of our society, I would like to reiterate that the ESG Committee will promote sustainable management responsibly through timely and transparent decision-making and management guidance. We look forward to your continued interest in LOTTE WELLFOOD's sustainability management and wish you all harmony and peace in your homes.

Thank you.



Chairman of ESG Committee, **Deok-nam Hwang**

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ESG Committee Letter

Deok-nam Hwang
Independent Director
(Chairman of ESG Committee)



ESG is like a compass that sets the corporate direction so that people can enjoy enriched lives in a sustainable world. The ESG Committee will serve as a helm to ensure that LOTTE WELLFOOD stays on track with its goals and direction and is respectful to all employees and consumers. As a legal expert, I am interested in whether LOTTE WELLFOOD consistently and reasonably realizes its management commitments to achieve a sustainable world. I have no doubt that through our combined efforts, LOTTE WELLFOOD will continue to grow as an ethical company.

Value consumption, such as meaning out, which is consuming according to the values that are oriented, and greensumer, which is consuming products that consider the environment, is the current consumption pattern. Previously, companies were evaluated strictly on financial indicators but today non-financial performance such as impact on the environment, society and the marketplace will be key evaluators. As ESG management for corporate sustainability has become an obligation, not just quality but eco-friendly products will be more loved by consumers. As a food safety expert and ESG committee member, I will strive to improve product safety and quality enabling LOTTE WELLFOOD to be a company that loves the environment and thus is loved by consumers.

Yoon-hwa Jung
Independent Director



ESG is not a financial performance measure, but it has become indispensable in assessing sustainability and competitiveness. As stakeholders' interest in ESG has increased, ESG is no longer an option but a necessity to ensure sustainability for all. LOTTE WELLFOOD has made great strides to practice advanced ESG management principles, such as introducing electric commercial vehicles and using eco-friendly packaging materials to steadily manage both short and long-term ESG goals. As a food expert, I will apply my food knowledge so that LOTTE WELLFOOD can become an ESG-minded food company trusted and loved by all.

Dong-gyu Lee
Independent Director



ESG is crucial for corporate competitiveness and sustainable management. ESG management is no longer an option but a social obligation for a company's survival. Not simply a risk management tool but ESG needs to be embedded into the corporate culture. As a member of the Board of Directors and ESG Committee, I will make recommendations based on ESG-related standards both domestic and international. As an expert in fair trade and corporate governance, my specialty is in G (governance) and I am committed to have LOTTE WELLFOOD live up to the highest governance standards.

Moon-ki Son
Independent Director



We believe that ESG is essential not only because trendy talk of eco-friendliness, social responsibility and transparency, but because ESG improves the overall health and sustainability of companies in the long-term. Specifically, ESG requires focus in terms of budget, manpower, energy and other detailed factors. As the Chairman of the Audit Committee and a member of the ESG Committee, I ensure that the ESG policies are implemented correctly. As an ESG Committee member, I vow to continue to diligently promote sustainability thereby enhancing the image and credibility of LOTTE WELLFOOD.

Hyun-cheol Han
Independent Director



Seong-wook Hwang
Inside Director
(Head of Financial Strategy Division)



Only when the ESG strategy is supported by financial investment and resources can ESG be successfully implemented. An ESG strategy that wisely invests financial resources resulting in social benefits will improve the trust of our consumers raising overall corporate value. As CFO, I provide a financial perspective of the non-financial implications of ESG to ensure our financial strategy and status are reflected in both the short and long-term ESG vision. As a member of the ESG Committee, I will help strive to create a sound governance structure for LOTTE WELLFOOD ensuring sustainability with clear external disclosures of financial information.

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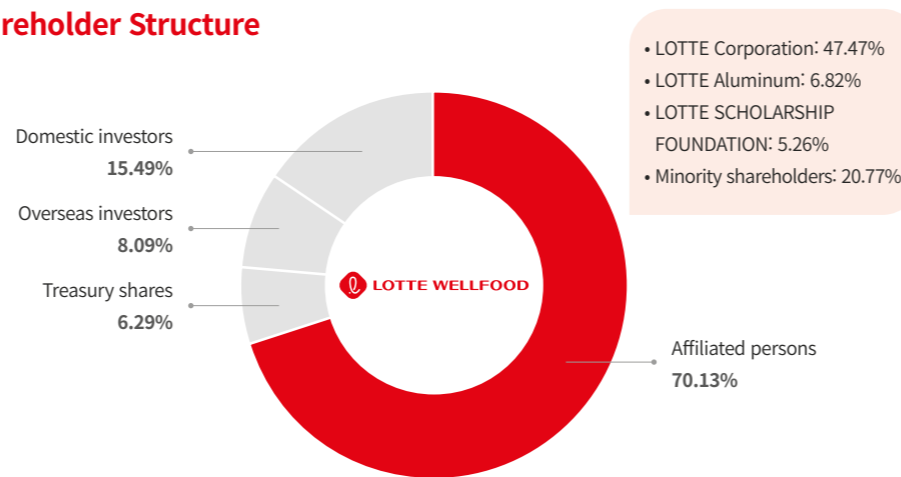
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LOTTE CONFECTIONERY, which has continued to grow with the love and trust of its customers since its founding in 1967, is taking an even more significant leap forward based on the merger with LOTTE FOODS in July 2022 and the name change to LOTTE WELLFOOD in April 2023. By expanding our confectionery-focused business areas and actively entering overseas markets, we will become a global comprehensive food company, creating sustainable value beyond food and sharing it with all stakeholders.

Company name	LOTTE WELLFOOD Co., Ltd.
Date of establishment	April 3, 1967 (spin-off on October 12, 2017)
CEO	Dong-bin Shin, Young-goo Lee, Paul Yi
Headquarters	10, Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul
Major business	Manufacturing and sale of chewing gum, confectionery, ice cream, fat, dairy products, processed meat, foods, etc.
Largest shareholder	LOTTE Corporation (47.47%)
Number of employees	6,795 persons (as of the end of 2022)
Production sites	17 domestic sites / 20 overseas sites

Shareholder Structure



Financial Status

LOTTE WELLFOOD recorded annual sales of KRW 2,443.9 billion (KRW 3,023.3 billion on a consolidated basis) in 2022, a 58% year-on-year growth, driven by the LOTTE FOODS merger which took place on July 1, 2022. LOTTE WELLFOOD plans to increase its financial stability by expanding its business through mergers and continuously streamlining its manufacturing and sales processes.

(Unit: KRW in millions)

Classification	2020	2021	2022	
Sales	Domestic	1,434,752	1,441,644	2,300,606
	Overseas	96,433	104,730	143,249
	Total	1,531,185	1,546,374	2,443,855
Operating profit	86,560	82,693	80,898	
Net profit before tax	50,046	45,216	19,509	
Net profit	36,528	30,359	18,708	
Total liabilities	1,121,509	1,082,891	1,736,640	
Total equity	1,226,856	1,247,780	2,021,849	
Total assets	2,348,365	2,330,671	3,758,489	

Based on separate financial statements. Business performance from January to June 2022 of the merged corporation is not included.

Distribution of Economic Performance

(Unit: KRW in millions)

Classification	2020	2021	2022
Dividends for shareholders	10,259	10,259	20,335
Total tax (corporate tax)	17,098	14,449	12,875
Total amount paid to employees (labor and welfare costs)	284,999	290,157	382,971
Purchasing from suppliers	565,122	600,026	1,591,375
Investment in local communities	335	911	8,885
Payment based on coupon rate of bond	16,167	13,780	19,799
Total economic performance distribution	893,980	929,227	2,028,052

Based on separate financial statements

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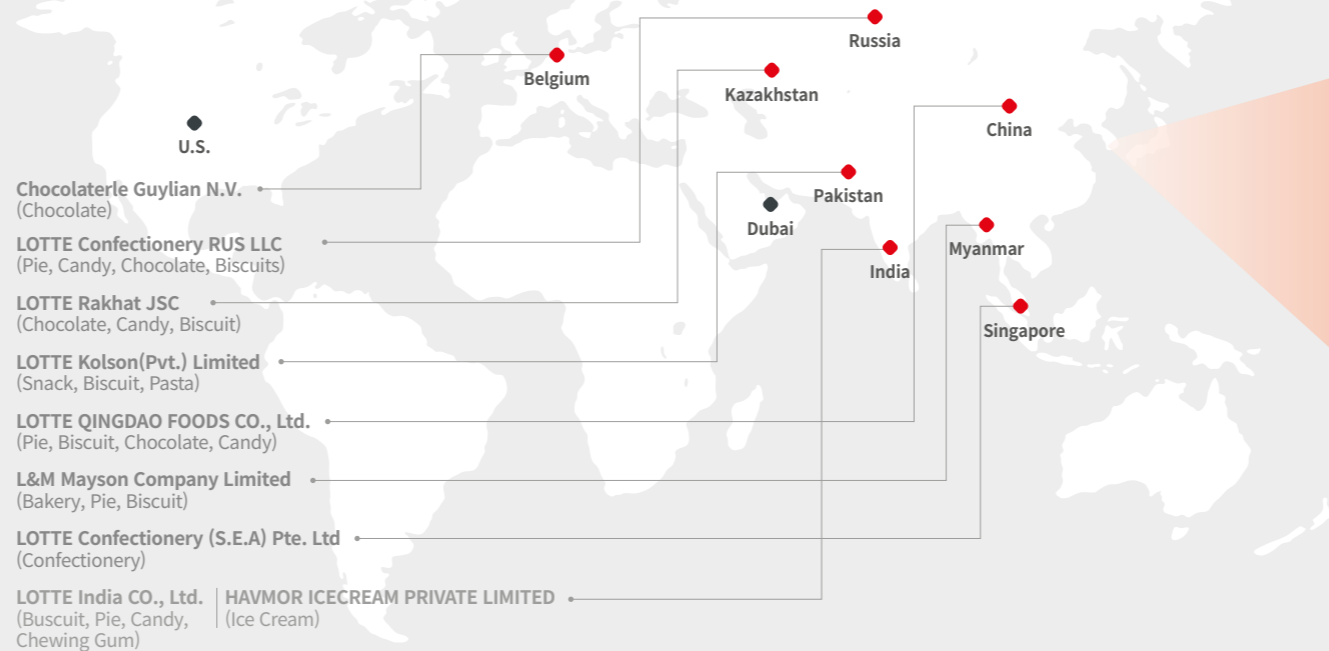
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Domestic and Overseas Business Status

LOTTE WELLFOOD produces various products such as gum, sweets, ice, oil, dairy, meat, and home snacks through 17 factories in Korea and meets consumers daily with fresh products through logistics and sales infrastructure operating in various parts of the country. In addition, we are becoming a company loved by the world by operating 20 factories in eight countries worldwide, including Belgium, India, Kazakhstan, and Russia. As of 2022, including the first six months of the merged entity, domestic sales were KRW 3.151 trillion, accounting for 81% of total KRW 4.745 trillion, and overseas sales were KRW 759.4 billion, 19% of total sales.

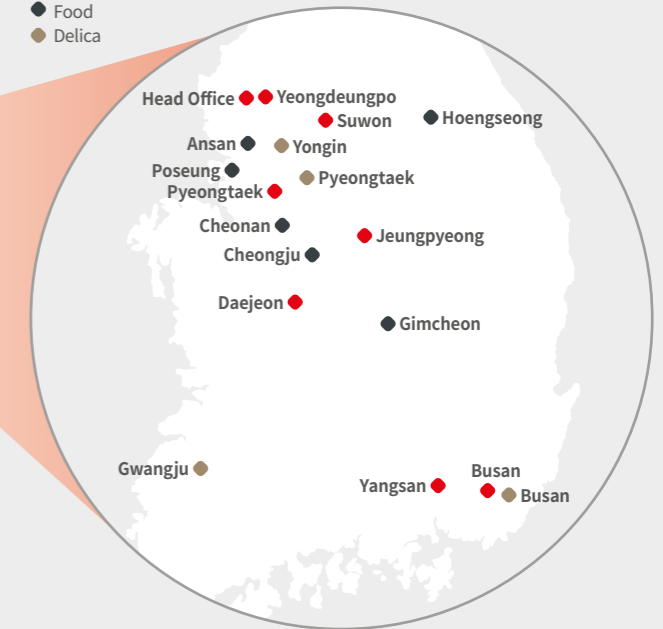
Overseas

- Overseas subsidiary
- Overseas office



Domestic

- Confectionery
- Food
- Delica



<p>Overseas Subsidiary</p> <p>8 countries (China*, Pakistan, Myanmar, India, Singapore, Russia, Kazakhstan, Belgium)</p>	<p>Production Plant</p> <p>20 sites (Kazakhstan: 3, Pakistan: 6, Belgium: 1, India (Biscuit/ice cream): 5, Russia: 1, Myanmar: 3, China: 1)</p>
--	---

Production Plant

Confectionery **7** (Yeongdeungpo, Yangsan, Daejeon, etc.)
Food **10** (Cheonan, Hoengseong, Gimcheon, Gwangju, Busan, etc.)

* The Chinese subsidiary (LOTTE QINGDAO FOODS) is scheduled to be withdrawn in 2023.

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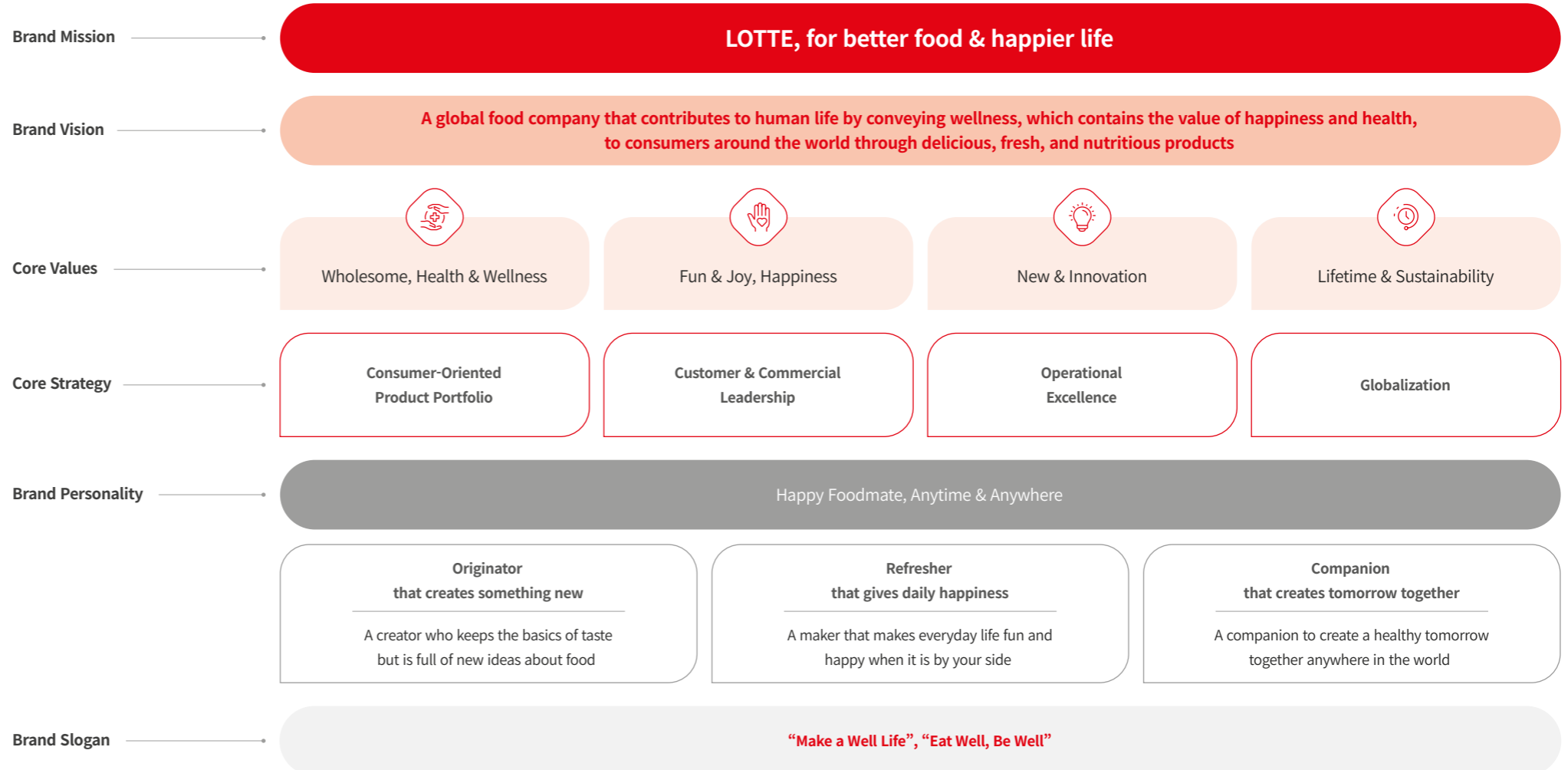
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Company Profile

Brand Vision

Lotte, for better food & happier life

LOTTE WELLFOOD has established a brand vision to contribute to human life by conveying ‘wellness’, which contains the value of happiness and health, to consumers around the world through delicious, fresh, and nutritious products.



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Business Overview

Building a Sustainable Portfolio

In the first half of 2022, the size of the domestic confectionery market grew by 0.49% year-on-year, but the slowdown in growth over the long term has highlighted the need for strategies to prepare for post-COVID-19. In addition, the demand for convenience and health-conscious products continues to expand. In response, LOTTE WELLFOOD expanded its portfolio as a comprehensive food company beyond the traditional confectionery industry.

Through the merger, LOTTE WELLFOOD now has a broader range of food categories, including dairy, meat, oil, and home meal replacement (HMR), beyond its existing core products of dried goods, ice cream, and bakery. Based on this expanded business portfolio, LOTTE WELLFOOD plans to more aggressively invest in new growth categories and expand its global business. In particular, it plans to foster health-oriented health and wellness brands that consumers can enjoy with confidence across its portfolio and to continue to expand products to meet the needs of diverse and segmented customers.

Product Portfolio of LOTTE WELLFOOD



LOTTE WELLFOOD has a comprehensive confectionery portfolio, including gum, snacks, pies, candy, ice cream, and bakery. It is beloved by consumers with products that have been with them for a long time, such as Pepero, Ghana, Crunch Bar, and World Cone.

Through the merger with LOTTE FOODS, we have an expanded business scope as a comprehensive food company, including 'Pasteur', the first pasteurized milk brand in Korea, and 'Chefood', a home meal (HMR) brand that anyone can enjoy deliciously.

Across our product portfolio, we are expanding our offerings with consumer health and well-being in mind on a number of fronts, including reducing fat and sugar, enhancing our five major nutrients and expanding our functional and plant-based offerings.

Sales by Category

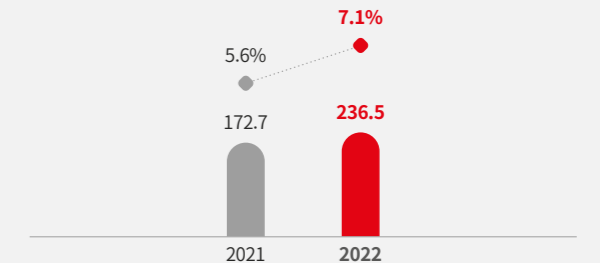
(Unit: KRW in billions)

Category	2021	2022
Fat	424.6	547.5
Food	154.5	177.5
Coffee	50.9	54.2
Materials	37.6	43.3
Dairy	189.8	184.3
Processed meat	256.0	275.0
HMR	221.2	260.8
Buscuit	975.9	1,008.2
Ice cream	585.8	590.5
Banery	114.2	128.9
Health	23.3	6.3
Others	35.9	38.6
Total	3,069.6	3,315.1 ¹⁾

1) Based on consolidated performance in 2022 (including performance of amalgamated corporations from January to June)

Health & Wellness Sales and Proportion

(Unit: KRW in billions)



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LOTTE WELLFOOD Portfolio

[More Details](#)

Business Criteria

Major Products

H&W



With operations in six categories - gum, candy, chocolate, biscuits, cakes, and snacks - our confectionery business is firmly positioned as the No. 1 confectionery company in Korea with a 23.2% domestic market share as of 2022, according to Nielsen Korea. The company has many long-loved brands, such as Xylitol, Pepero, Ghana Chocolate, Kokkal Corn, and Margaret, and has been a part of consumers' joyful moments.



Kokkal Corn



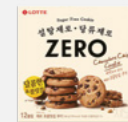
Margaret



Pepero



Ghana



Zero, Xylitol, Dream Cacao, Quaker



Through the merger with LOTTE FOODS in July 2022, the ice cream business offers consumers a more comprehensive range of products. With a 43.1% share of the domestic ice cream market according to Nielsen Korea in 2022, we continue to hold the top spot, and our brands, such as the national ice cream World Cone and premium ice cream brand Nàtuur, provide sweet and incredible moments anytime, anywhere.



World Cone



Snow Ice



Papico



Crunch Bar



Zero, Natuur



The bakery business aims for high-quality products that reflect trends. We continuously introduce themes such as collaborations with famous local bakeries and characters, products reflecting new lifestyles, and using only plant-based ingredients. Various themes include collaborations with famous local bakeries and characters, products reflecting unique lifestyles, and using only plant-based ingredients.



Kirin



Fresh Bakery



V bread

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Business Criteria	Major Products	H&W
<p>Dairy Products</p> <p>LOTTE WELLFOOD is leading the development of the dairy industry with its premium dairy brand Pasteur, which is produced using the first 63-degree pasteurization method in Korea to preserve the original taste and nutrition of milk.</p> 	<p>Pasteur Bareun Mokjang</p> <p>Pasteur uses only carefully selected raw milk from its exclusive farm that is 3.7 times more stringent than the Class 1A legal standard and introduces dairy products that consider consumers' health and lifestyle in various ways, such as eco-friendly organic milk, antibiotic-free milk, probiotic milk, and protein milk based on quality technology.</p> 	
<p>Processed Meats</p> <p>The meat processing business has led the market with long-standing know-how and excellent technology since 1978. We are enriching consumers' dining tables with brands such as Uiseong Garlic Ham, Lotte Ham, Essen Ppodeuk to make animal protein more delicious.</p> 	<p>Uiseong Garlic Ham</p> <p>Launched in 2006 as a win-win collaboration between LOTTE WELLFOOD and Uiseong County, Gyeongsangbuk-do, Uiseong Garlic Ham is Korea's leading ham brand, holding the top spot in the sliced ham and frankfurter market. The brand has expanded into various meat products, such as kimbap ham, franks, and viennas, and has been serving delicious meals to consumers</p> 	
<p>Fats, Oils / Materials</p> <p>The B2B Solutions Division produces food ingredients and materials, including oils (refined and edible oils and fats), ingredients (flavors, colors, seasonings, nuts, chocolate), and food ingredients (coffee, sauces, canned goods). It provides them to major domestic food companies and many food and beverage businesses.</p> 	<p>Battera</p> <p>Battera, which means "Baker's terra", produces a variety of products with rich flavor and high versatility, including shortening, margarine, butter, and whipped cream.</p> <p>Delga</p> <p>Delga, a food ingredient specialty brand, produces a wide range of large-volume sauces and canned goods to provide professional culinary solutions for food and beverage establishments.</p> 	
<p>HMR</p> <p>The HMR business provides restaurant quality and diverse and trendy menus for home use. Not to mention fresh and quality ingredients; based on our 40-year tradition of meat processing know-how and the technology of various business units, we are expanding and delivering a food culture that enables people to pursue a healthy and wellness life domestically and overseas.</p> 	<p>Chefood</p> <p>Chefood is a brand that makes it easy to enjoy chef-quality home meals and snacks, and its representative products are sirloin pork cutlet with the quality of a restaurant and 2-minute cup spaghetti that makes it easy to enjoy authentic Italian spaghetti. Other categories include tteokgalbi, dumplings, and more.</p> 	
<p>Instant Foods</p> <p>LOTTE WELLFOOD produces and provides consumers with fresh and healthy ready-to-eat foods through its subsidiary company LOTTE Fresh Delica No.1~4.</p> 	<p>In addition to 'Hanggi Lab', a brand of ready-to-eat lunch boxes made with proper consideration for taste and nutrition, we produce a variety of ready-to-eat foods such as kimbap, triangular kimbap, sandwiches, hamburgers, and lunch boxes. We are responsible for consumers' simple and satisfying meals anytime, anywhere.</p> 	

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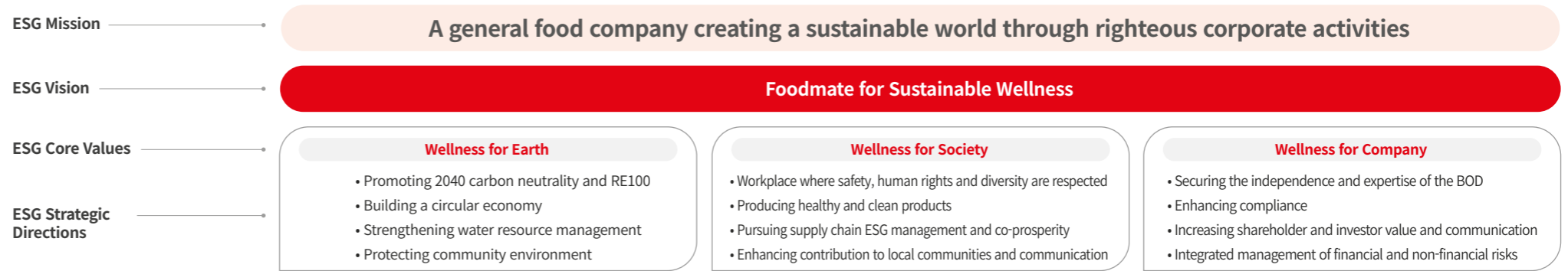
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Sustainable Strategy

ESG Vision

LOTTE WELLFOOD has established a new ESG Vision and Mission to become a comprehensive food company that contributes to global sustainability. Based on our ESG Vision to be a sustainable food partner, LOTTE WELLFOOD has set core ESG values for a healthy planet, happy society and sound corporate governance. We will promote sustainability through ESG strategies set for each core value and implement them through an ESG management system led by the ESG Committee and Council.

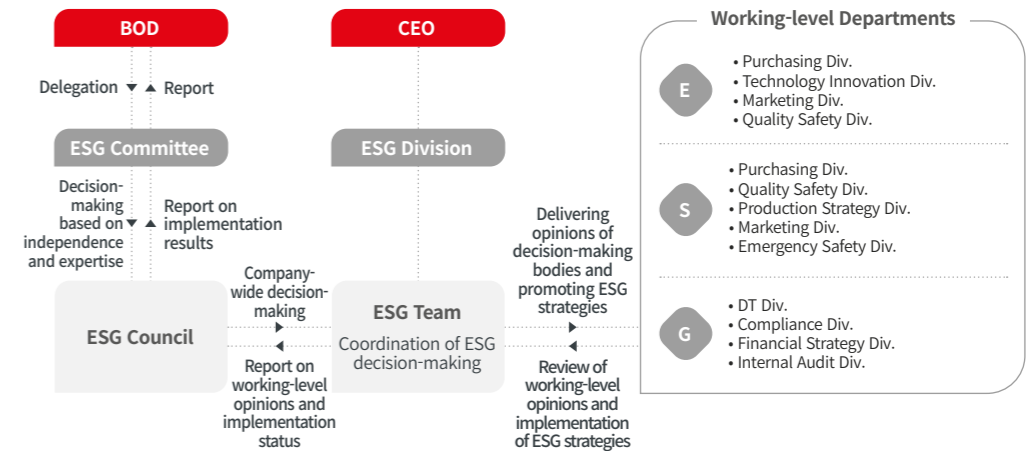


ESG Management System

LOTTE WELLFOOD established the ESG Committee in August 2021 to address non-financial issues such as the environment, society and governance in management decision-making and to strengthen ESG implementation. The ESG Committee, chaired by an external director, is the top body to devise strategic initiatives. Separately, the ESG Council, a working consultation body chaired by the CEO ensures ESG implementation.

The ESG Council regularly reports to the ESG Committee on matters it deems necessary by the ESG Council Chairperson. The BOD has delegated sustainability and transparent management decisions to the ESG Committee. The ESG Committee Chairperson can always address the BOD when necessary.

In November 2021, the ESG Department was formed to oversee and coordinate company-wide ESG activities. We have also enhanced ESG strategy implementation and feedback functions to enhance company-wide communications and to monitor the implementation of the ESG initiatives.



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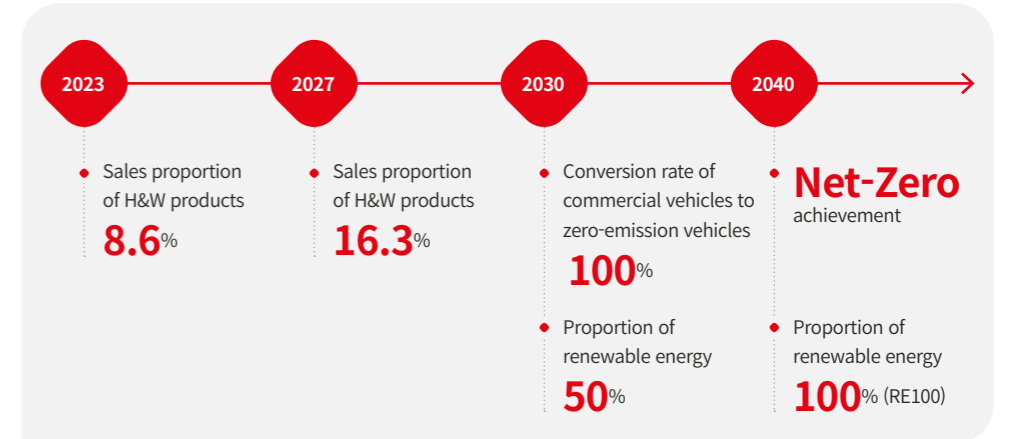
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Sustainable Strategy

ESG Management Roadmap

LOTTE WELLFOOD's future strategy for sustainability centers on the environment, health and wellness. In regards to the environment, we plan to convert 100% of our commercial vehicles to zero-emissions by 2030 and increase use of renewable energy at our facilities to 50%, thereby achieving RE50 compliance. In addition, we plan to achieve carbon neutrality by 2040, with a long-term goal of becoming RE100 compliant by converting 100% of our electricity needs to renewable energy. We also plan to increase the share of Health & Wellness products in our sales to 8.6% by 2023 and to 16.3% by 2027, making the overall business more sustainable.



Evaluating CEO Performance in Light of Sustainability

LOTTE WELLFOOD has set 2021 as the inaugural year for ESG management, and from 2022, ESG-related indicators were included as part of the CEO's key performance indicators (KPIs). Based on the ESG KPIs approved by the ESG Committee, the ESG Team and related departments established plans to achieve these goals. In 2023, the existing indicators were partially reclassified to effectively link them to the results of ESG management. Accordingly, four core ESG measures were selected for CEO performance evaluation, and the KPI operation plan reflecting them was approved by the ESG Committee in January 2023.

4 Core Issues	Trends and Considerations	Phase 1 (~2022)	Phase 2 (2023~)
Implementation of Carbon Neutrality	• Visualization of global trade regulations related to carbon emissions	• Declaration of 2040 Net-Zero and RE100	• Joining the global RE100
Requirements on ESG disclosure	• Implementation of mandatory domestic and international ESG disclosure	• Publication of sustainability report	• Reinforcing responsiveness to global disclosure guidelines
Information protection	• Increase in serious information protection accidents	• Response to disclosure of information protection and carbon neutrality	• Advancing information security governance system and tasks
Core tasks by company	• Increase in supply chain ESG risk	• Expansion of green purchase	• Enhancement of suppliers' sustainability management

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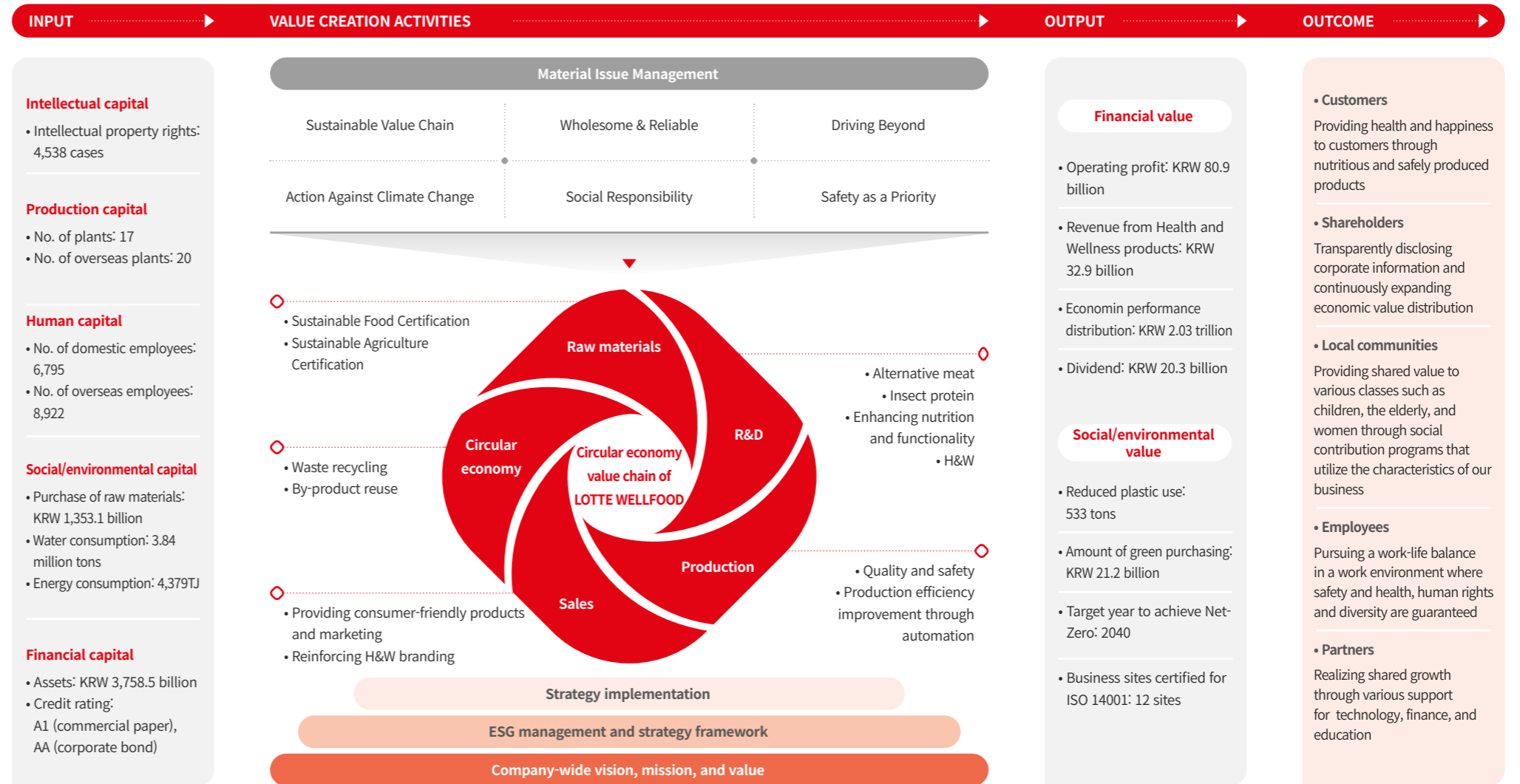
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Value Creation Process

VALUE CREATION PROCESS



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Response to Global Initiatives and Major Activities

UNSDGs

LOTTE WELLFOOD supports the 17 UN SDGs and is committed to setting them as the standard for sustainable management and implementing them through its business activities. In line with the new ESG core values of Healthy Planet, Happy Society, and Good Governance, LOTTE WELLFOOD prioritizes implementing its business and projects.



ESG Core Value	ESG Task	Details	UN SDGs
Wellness for Earth	Response to climate change	<ul style="list-style-type: none"> Achieving RE50 by 2030 and carbon neutrality and RE100 by 2040 Investment in energy saving facilities Conversion of business vehicles to zero-emission vehicles 	
	Contribution to circular economy	<ul style="list-style-type: none"> Expanding recycling and reusable packaging development Expanding the use of recycled packaging Reducing plastic use and waste 	
	Establishment of an eco-friendly workplace	<ul style="list-style-type: none"> Advancing water management and wastewater treatment Reducing waste and expanding recycling in the production process Ecosystem purification activities near business sites 	
Wellness for Society	Establishment of a sustainable supply chain	<ul style="list-style-type: none"> Identifying transparency of raw materials and environmental impact Identifying and eliminating human rights risks in the production process Encouraging suppliers to comply with the Code of Conduct 	
	Customer health	<ul style="list-style-type: none"> Improving nutritional components and reducing harmful components Expanding vegan and organic product lineups 	
	Safe workplace	<ul style="list-style-type: none"> Operating safety and health management system (ISO 45001) 	
Wellness for Company	Compliance and ethical management	<ul style="list-style-type: none"> Zero corruption risk Zero human rights risk Operating programs to respect employee diversity 	

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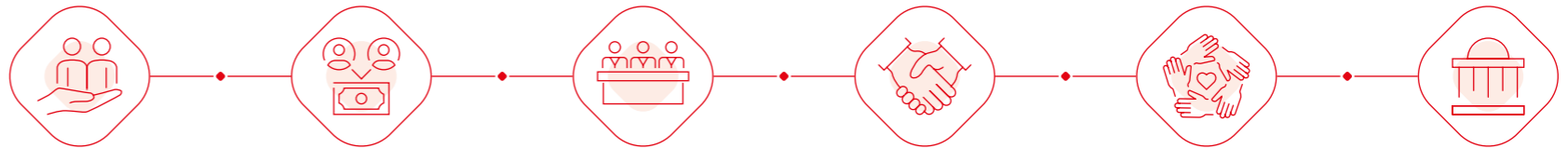
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Stakeholder Engagement

Stakeholder Groups, Communication, and Engagement

LOTTE WELLFOOD listens to various stakeholders' opinions in promoting sustainable management and actively reflects them in its management activities. For more systematic stakeholder communication, we define six major stakeholder groups and operate communication channels tailored to the stakeholders' nature. The economic performance generated by LOTTE WELLFOOD's business activities is pretty distributed to its stakeholders. The value allocated by LOTTE WELLFOOD to its six key stakeholders in 2022 is calculated to be KRW 1,935.5 billion.



Classification	Customers	Shareholders and Investors	Employees	Suppliers	Local Communities / NGO	Government / Media / Association
Major issue	<ul style="list-style-type: none"> Developing sustainable products Strengthening product and service research Active Opinion Collection Activities Customer information protection 	<ul style="list-style-type: none"> Share price and financial performance Stability and transparency in governance Future business prospects Shareholder value enhancement 	<ul style="list-style-type: none"> Securing and nurturing talent Grievance handling Work-life balance Labor-management relations Safety and health management Employee human rights and diversity protection Performance evaluation 	<ul style="list-style-type: none"> Supplier selection and management Fair trade Shared growth Supply chain ESG management 	<ul style="list-style-type: none"> Social contribution activities Protection of community environment Development of sustainable products 	<ul style="list-style-type: none"> Compliance Job creation Faithful tax payment
Communication channel	<ul style="list-style-type: none"> LOTTE WELLFOOD homepage LOTTE WELLFOOD SNS Customer support center (VOC) Customer advisory group Hidden supporters 	<ul style="list-style-type: none"> Shareholders' meeting Disclosure of business report NDR Earnings release Sustainability report Investment prospectus 	<ul style="list-style-type: none"> Intranet (MoIN) Labor-management council Safety and Health Committee Ethical mangement hot line Presentation on evaluation system Welfare system information chatbot 	<ul style="list-style-type: none"> Supplier portal site Co-prosperity consultative body Workshop for partners (quality/shared growth) Monitoring and due diligence Shared Growth Family Day Event Lotte Safety Academy 	<ul style="list-style-type: none"> Charlotte Volunteer Corps (Hamhangbok) Sweet School Sweet Home Sweet Box Sweet Picnic Dr. Xylitol Bus 	<ul style="list-style-type: none"> Disclosure of corporate governance report Disclosure of business report Policy meeting
Major activities	<ul style="list-style-type: none"> Product development based on customer opinions Response to customer inquiries and suggestions Experience of new products Consumer survey 	<ul style="list-style-type: none"> Conference call and meeting Company briefing session Presentation on operating performance, etc. 	<ul style="list-style-type: none"> Corporate magazine Anonymous communication bulletin board (Wellnamu Forest) 	<ul style="list-style-type: none"> Recruitment support Financial support Productivity improvement support Technical support and protection ESG diagnosis and support 	<ul style="list-style-type: none"> Uiseong Garlic Ham Camp 1 Company 1 Barrack Turn Toward Busan 	<ul style="list-style-type: none"> Participation in meetings led by government agencies Association activities related to the food industry Article distribution / interview Participation in ESG evaluation
Value distribution		Dividend 20.3 billion KRW	Labor cost and welfare benefits 383.0 billion KRW	Purchasing from suppliers 1,591 billion KRW	Social contributio expense 8.9 billion KRW	Corporate tax 12.9 billion KRW

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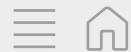


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Double Materiality Assessment

LOTTE WELLFOOD Double Materiality Assessment Process

Overview of Materiality Issues

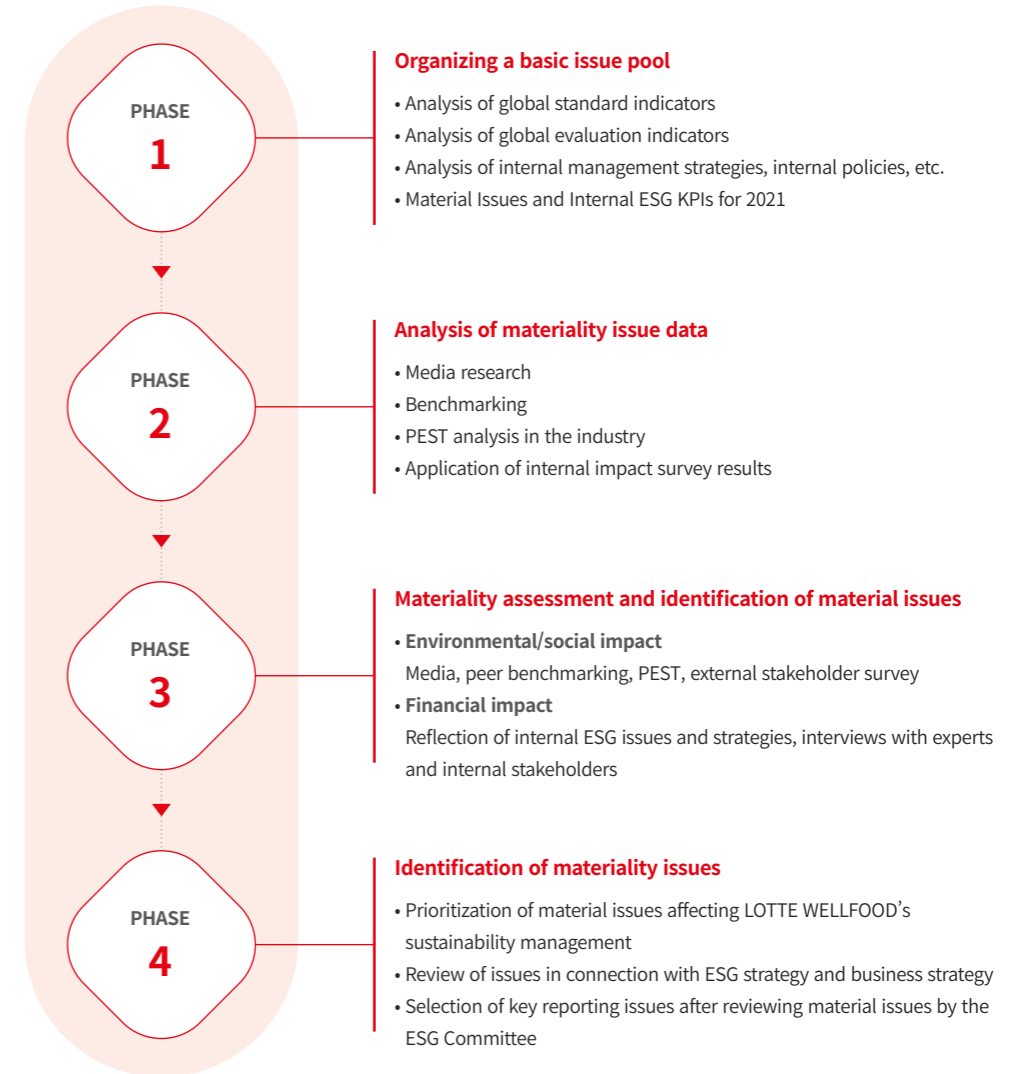
Materiality issues directly impact a company’s strategic decision-making, corporate value, and stakeholder decision-making. Currently, the global food industry’s approach to materiality is shifting from protecting corporate value to creating value. As a result, companies are responding to ESG materiality issues from the perspective of securing sustainable competitiveness, not just management.

Material Issues Selection Process

LOTTE WELLFOOD utilizes materiality assessment to identify risks and opportunities and reflects them in strategy formulation and management decisions. For this year’s materiality assessment, we considered the expanded scope of material issues due to the merger with LOTTE FOODS. We conducted a double materiality assessment to organically and transparently identify the impact of our business activities on society and the environment and the impact of external sustainability-related factors on our business activities.

The ESG Division and the ESG Committee supervised the entire materiality assessment process. We established a pool of material issues based on global standards such as the GRI. We derived sustainability issues by reflecting on media research results, benchmarking, industry analysis, and internal impact surveys. To derive our core material issues, we surveyed key stakeholders such as suppliers, investors, and customers on the environmental/social and financial impacts of material issues and prioritized the materiality of each issue. The ESG Committee reviewed the final results from a company-wide management strategy perspective, and six material issues were selected from 25 issues.

Materiality Assessment Process



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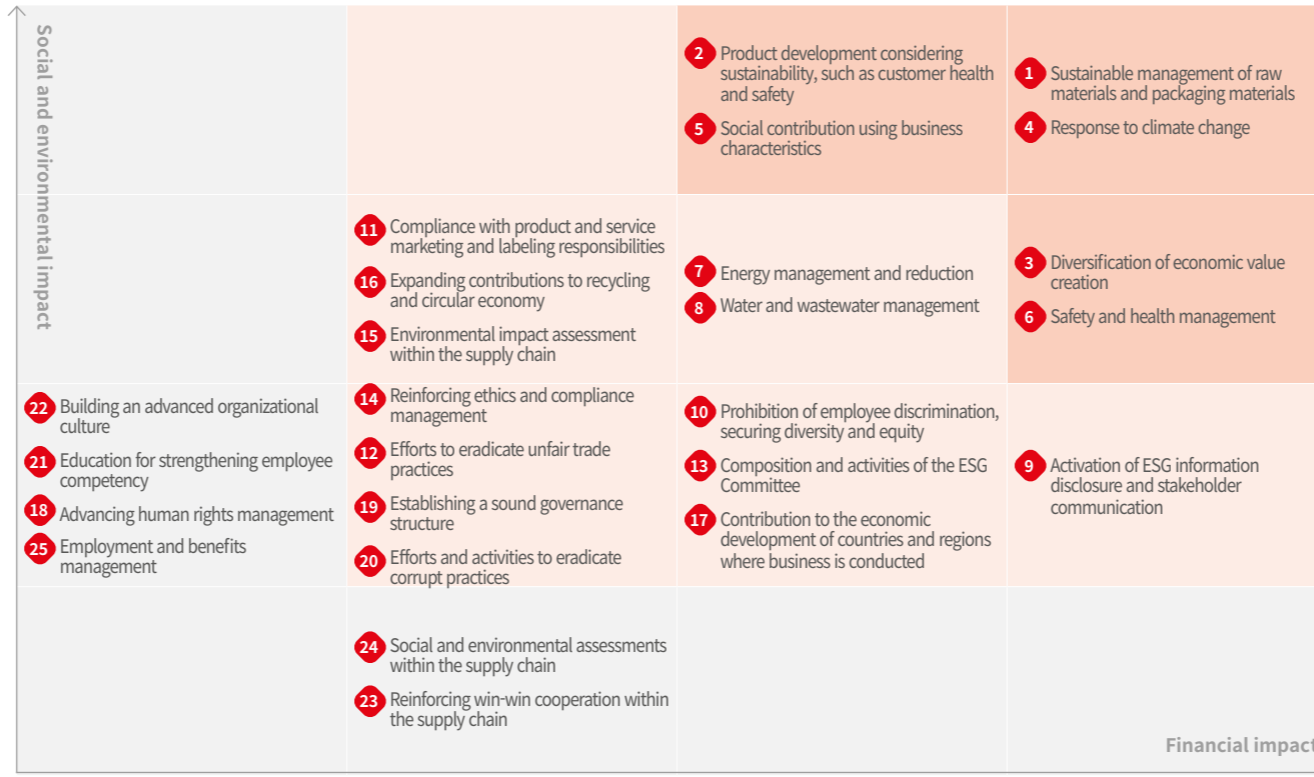
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Double Materiality Assessment

Materiality Matrix



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Priority	Material Issue	Social and Environmental Impact	Financial Impact	Major Stakeholders					Page
				Customers	Shareholders	Media	Employees	Partners	
1	Sustainable management of raw materials and packaging materials	●	●	∨		∨		∨	36
2	Product development considering sustainability, such as customer health and safety	●	●	∨	∨	∨			44
3	Diversification of economic value creation	●	●		∨	∨	∨		51
4	Response to climate change	●	●		∨	∨			57
5	Social contribution using business characteristics	●	◐			∨		∨	64
6	Safety and health management	◐	●			∨	∨		70

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Double Materiality Assessment

LOTTE WELLFOOD Portfolio

Material Issue Topic	Context	Our Approach	Activities	Future Target	Progress
 <p>Managing sustainable raw materials and packaging</p>	<p>Changing global food landscape is intensifying the supply chain crisis, directly affecting the business activities of food companies. Moreover, the EU Supply Chain Due Diligence Directive, published in 2022, requires the management of social and environmental impacts to the supply chain, further emphasizing the importance of supply chain management.</p>	<p>LOTTE WELLFOOD has set a sustainable supply chain management strategy and categorizes its supply chain into three sectors: raw materials, packaging, and partners. We strive to efficiently mitigate potential risks in the supply chain and strengthen the sustainability capabilities of our partners.</p>	<ul style="list-style-type: none"> • Purchasing major raw materials according to sustainable processes • Participation in food-related initiatives • Reduction and replacement of food packaging materials • Development of eco-friendly packaging materials • Activities for eco-friendly certification on product • Establishing the code of conduct for partners 	<ul style="list-style-type: none"> • Reduction of plastic packaging materials in 2025 compared to 2020 815t • Reduction of Ink and solvent use 550t 	<ul style="list-style-type: none"> • 48 products Number of products with green certification • 533t Reduction of plastic use in containers and trays
 <p>Developing products with sustainability in mind, including customer health and safety</p>	<p>When purchasing products, consumers have diverse criteria which includes quality and safety. Product purchases reflect their beliefs and values around sustainability, organic sourcing, animal welfare and climate change. Global food companies are responding to this diverse tastes by launching new products that recognize these needs.</p>	<p>LOTTE WELLFOOD's sustainability efforts contribute to our consumers' overall health and wellness. We provide food products that give confidence in food safety while meeting diverse consumer needs, as we build for a sustainable future</p>	<ul style="list-style-type: none"> • Building company-wide quality safety system • Developing H&W products considering the level of consumer demand, such as nutrients, functionality, and botanicals • Expanding product portfolio considering consumer needs and social and environmental impacts 	<ul style="list-style-type: none"> • Expansion of H&W brand sales (Sales proportion among all products in 2027: 16.3%) 	<ul style="list-style-type: none"> • KRW 32.88 billion Sales of products labeled for enhancing health and nutritional attributes
 <p>Diversified economic value creation</p>	<p>The growth rate of the confectionery market has stagnating due to recent demographic changes and declining child birth trends. Increasing food imports has intensified domestic competition. Stable food production also faces volatility due to climate change.</p>	<p>With LOTTE WELLFOOD's expanded business scope from the merging of LOTTE CONFECTIONERY with LOTTE FOODS, positions us to better pursue new business opportunities both internally and externally.</p>	<ul style="list-style-type: none"> • Product development considering social and environmental issues • Development of health-oriented foods • New business investment and MOU signing • Promotion of new businesses such as in-house open innovation and in-house ventures 		<ul style="list-style-type: none"> • Investment in food tech startups KRW 16.526 billion

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이중 중대성 평가

LOTTE WELLFOOD Portfolio

Material Issue Topic	Context	Our Approach	Activities	Future Target	Progress
 <p>Responding to climate change</p>	Preserving the global environment and transitioning to low-carbon emissions are the challenges for a sustainable future. Nations are striving to achieve 2050 carbon neutrality goals in response to the global climate crisis. With the introduction of regulations such as carbon credits and taxes, industries' role in reducing carbon emissions is being highlighted, and the food industry also needs to respond accordingly.	LOTTE WELLFOOD has set mid- and long-term carbon emission reduction targets to respond to climate change. We have also established a roadmap and execution plans to promote a renewable economy. In addition, we are strengthening our carbon emission management system throughout our product value chain.	<ul style="list-style-type: none"> Establishing a circular economy promotion system Discussion on climate change issues by the ESG Committee 	<ul style="list-style-type: none"> Establishing GHG emission reduction target compared to BAU by 2030 Declaration of 2040 Net-Zero 	<ul style="list-style-type: none"> KRW 21.25 billion Amount of green purchasing 38% Conversion rate of business vehicles to zero-emission vehicles
 <p>Social contribution is based according to the nature of business</p>	Sustainability begins with the trust from all stakeholders, including customers, partners, and communities. Importance of corporate social responsibility continues to grow. Companies can leverage their commercial resources to help alleviate social issues	LOTTE WELLFOOD contributes directly and indirectly to solve environmental and social issues through social contribution activities leveraging our commercial resources. We also strive to assist society through various social contributions.	<ul style="list-style-type: none"> Social contribution activities utilizing the characteristics of the food industry Collaboration with the local community, donations, etc. 	<ul style="list-style-type: none"> Scope of product-linked social contribution activities and benefits: <p>Continuous Expansion</p>	<ul style="list-style-type: none"> 7.26 million persons Cumulative number of beneficiaries of Sweet Dream
 <p>Safety and health management</p>	The enactment of the Serious Accident Punishment Act in January 2022, has increased the requirements for safety and health, expanded compliance obligations and increased accountability for management. Furthermore, strengthening safety and health standards at overseas worksites has been encompassed for ESG for both home and abroad.	The merger of LOTTE CONFECTIONERY and LOTTE FOODS has expanded the safety and health management scope. LOTTE WELLFOOD mitigates the risks by preparing safety-related and compliance response strategies and has established a safety risk management system to proactively monitor them.	<ul style="list-style-type: none"> Establishing a safety and health strategy Building a compliance system Safety risk management activities such as disaster analysis and training 	<ul style="list-style-type: none"> Manage LTIR to within 0.25 Promoting acquisition of ISO 45001 certification for overseas business sites 	<ul style="list-style-type: none"> 0.22 Lost Time Incident Rate (LTIR)

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Sustainable Value Chain



Why Important?

The supply chain crisis in the global food industry is intensifying due to external factors such as the pandemic, climate change and the Russia-Ukraine war. Logistic challenges due to supply chain bottlenecks, declining food production due to climate change, and international commodity price volatility are directly impacting food companies. In addition, the Supply Chain Due Diligence Directive, released by the European Commission in 2022, requires companies operating within the EU territory and their suppliers be accountable for the social and environmental impacts caused by supply chains, raising the urgency to effectively manage them.

How we manage?

LOTTE WELLFOOD recognizes that a sustainable supply chain is a critical competitive advantage, and we categorize our supply chain into three elements: raw materials, packaging, and partners. We continue to increase the proportion of sustainable raw materials sourced for production. To minimize food packaging in the environment, we continue to reduce and replace plastic in our product packaging. We have established a Code of Conduct for Partners and provide ESG education to explain the risk factors in our supply chain. These are some of our efforts to manage and strengthen LOTTE WELLFOOD and our partners' sustainability capabilities.

What are results?



48 products

Number of products with green certification



533.6t

Reduction of plastic use in containers and trays

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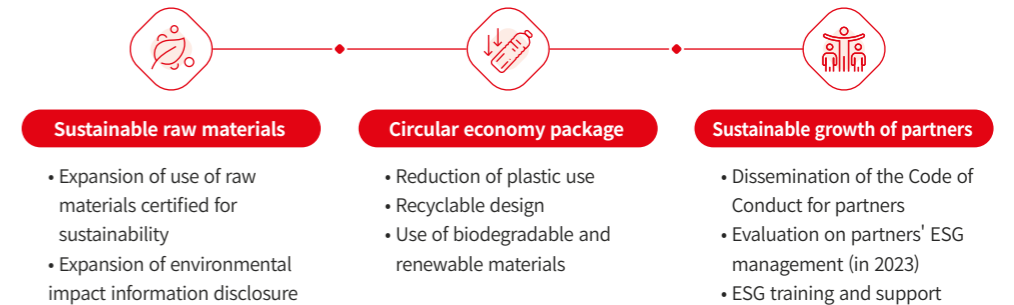
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Sustainable Supply Chain Strategy

LOTTE WELLFOOD's key supply chain stakeholders include domestic and international raw material sourcing partners, packaging production partners, production outsourcing partners, and distribution partners. To produce sustainable products, it is necessary that the supply chain stakeholders involved in the process also supply sustainable products and practice ESG. To ensure the sustainability of this broad supply chain, LOTTE WELLFOOD is expanding activities such as managing the sustainability of raw materials, expanding the sustainability of packaging materials, and strengthening the ESG capabilities of its partners.



Sustainable Sourcing

Sustainable palm oil

Sustainable palm oil supply chain supported by Lotte Well Food

Palm oil is widely used plant-based raw material in food manufacturing industry including us, due to its low price and high productivity and utilization. Still, the production and distribution process is not free from sustainability issues. Excessive production expansion has led to damage to nature and threats to biodiversity, and human rights violations such as child labor and forced labor in developing countries continue to occur. LOTTE WELLFOOD rejoined the RSPO¹⁾ in December 2022 as a consolidated entity to ensure the sustainable sourcing of palm oil, which (former) LOTTE FOODS joined. In May 2023, we imported about 100 tons of RSPO-certified palm oil and delivered it to our suppliers, and we plan to continue to expand the purchase and supply of sustainable palm oil in the future.

Coffee Beans and Vanilla Beans

Coffee beans, which LOTTE WELLFOOD supplies, and vanilla beans, used in confectionery manufacturing, have similar sustainability issues. Therefore, LOTTE WELLFOOD procures coffee beans and vanilla flavoring ingredients certified by Fair Trade International and Rainforest Alliance (RA²⁾) and utilizes them in product production and sales. In 2022, we produced vanilla extract using RA-certified vanilla beans for the first time in Korea, and it is currently used in our ice cream products (World Cone Madagascar Vanilla and Nàtuur Vanilla flavors). In January 2022, LOTTE WELLFOOD signed a business agreement with LOTTE R&D Center and global flavoring company Symrise to import RA-certified vanilla beans from Madagascar and jointly develop vanilla extract using RA-certified vanilla beans with LOTTE R&D Center. LOTTE WELLFOOD plans to develop customized vanilla solutions that can be applied to various foods, not just ice cream, and take the lead in expanding the development and use of sustainable raw materials.

1) RSPO: Roundtable On Sustainable Palm Oil
 2) RA: Certification granted to farms that implement production activities through environmentally and socially sustainable processes, such as reducing the use of chemical fertilizers, avoiding water pollution, preserving rainforest nodules, and protecting labor rights
 3) UTZ: Integration of certification program for sustainable agriculture into current RA certification
 4) Fair Trade: Trade in products that comply with all standards set by the International Fair Trade Organization throughout the entire process of production, importation, manufacturing, and distribution and are audited and monitored by an independent third party to ensure international transparency

(Unit: ton)

Category	Certification	Weight
Coffee	UTZ ³⁾ and RA certification	121
	Fair trade ⁴⁾ certification	229
	Organic processing certification	7
Subtotal		357
Vanilla bean	RA certification	2
Toral		359



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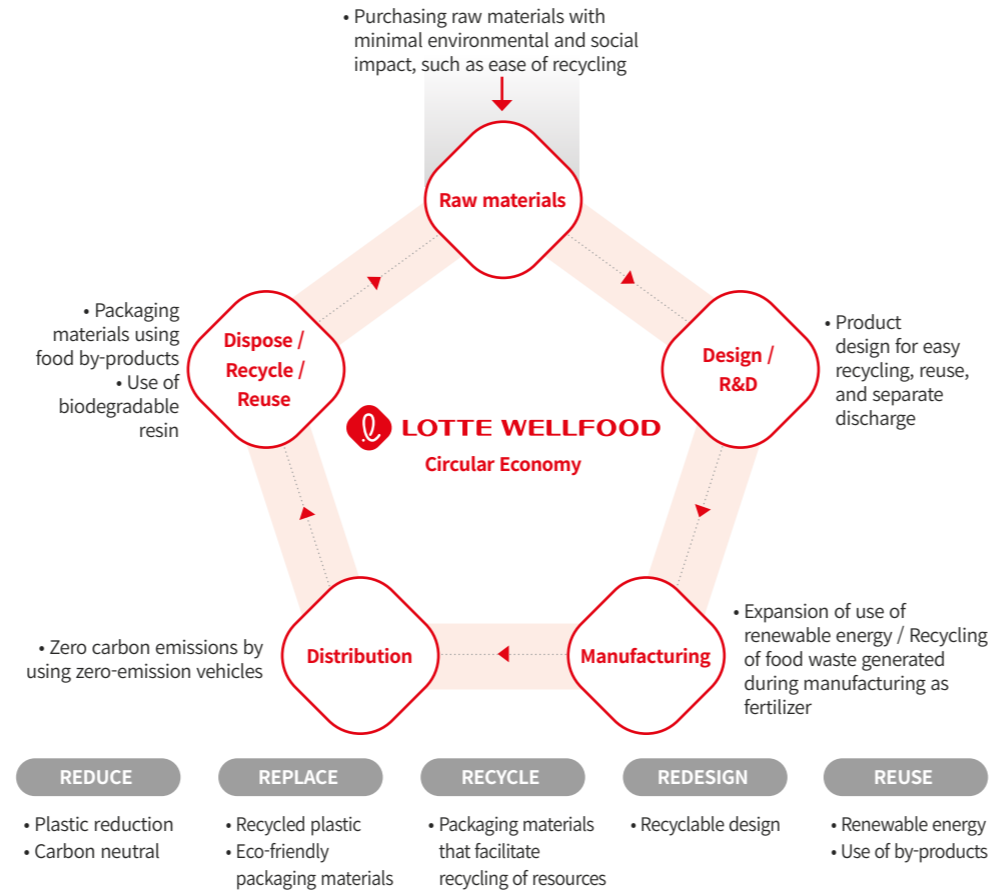
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Expanding sustainable packaging based on the circular economy

LOTTE WELLFOOD is building a circular economy system that manages packaging from the reproduction perspective and maximizes the potential value of resources rather than the resource-consuming perspective based on the existing linear economy. Based on the promotion of the eco-friendly packaging project Sweet Eco 2025, we continue to conduct research to reduce the weight of packaging materials, expand the application of material unification, and expand the number of products with green certification using flexographic printing technology. In addition, we are continuously improving the sustainability of packaging materials by developing eco-friendly packaging materials using food by-products and applying them to the packaging of some products.

LOTTE WELLFOOD's approach to circular economy



Sweet Eco 2025

In July 2021, LOTTE WELLFOOD announced its eco-friendly packaging materials project Sweet Eco 2025, with targets of 65% for plastic reduction in containers and trays in 2022, 76% for ink and solvent substitution in packaging, and 12% for the use of food by-product paper packaging. In light of the diversification of raw material types and increase in quantity due to the LOTTE FOODS merger, we will establish and disclose new eco-friendly packaging material expansion targets in the future and promote measures to achieve them.

(단위 : ton)

Classification	2025 Target	2022 Performance	Achievement Rate
Reduction of plastic use in containers and trays	815	533.6	65%
Reduction of ink and solvent for packaging printing	550	419.4	76%
Use of paper packaging materials using food by-products	4,200	505.5	12%

Types and percentages of raw materials used for packaging

LOTTE WELLFOOD's total packaging material usage was 23,456 tons in 2022, including plastics used in containers and trays, and single-component films.

(단위 : ton)

Classification	2020	2021	2022
Use of packaging materials	9,273	9,735	23,456

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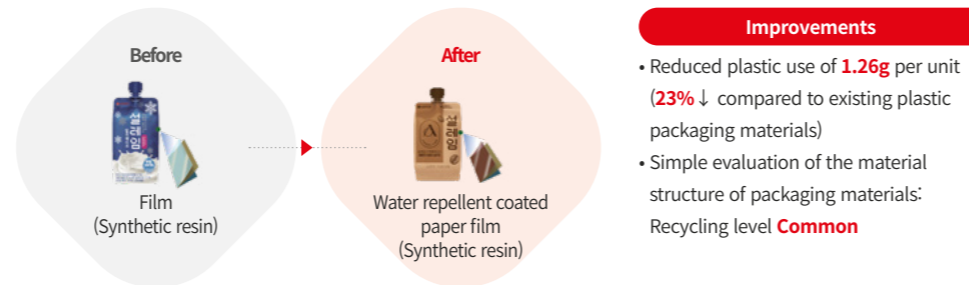
Expanding sustainable packaging in a circular economy

Developing packaging materials for customer safety, convenience, and environment

LOTTE WELLFOOD's packaging R&D organization, LOTTE R&D Center, partnered with Moorim Paper, a paper supplier, and LOTTE Aluminum, a partner in the development and production of packaging materials, to develop a paper-based spout pouch suitable for freezing conditions. Since conventional paper packaging has been replaced by synthetic resin coated with a film that gets wet when frozen food comes into contact with it and loses its storability, the challenge was to solve this problem. To help LOTTE WELLFOOD reduce the amount of plastic in its packaging while maintaining its durability and storability, the three companies partnered to develop a spouted packaging that utilizes a durable pulp with special additives and a water-soluble acrylic-based water-repellent coating. The developed packaging was tested in retail and consumer markets and applied to the new product "Snow Ice X Angel-in-Us Café Latte," launched in September 2022.

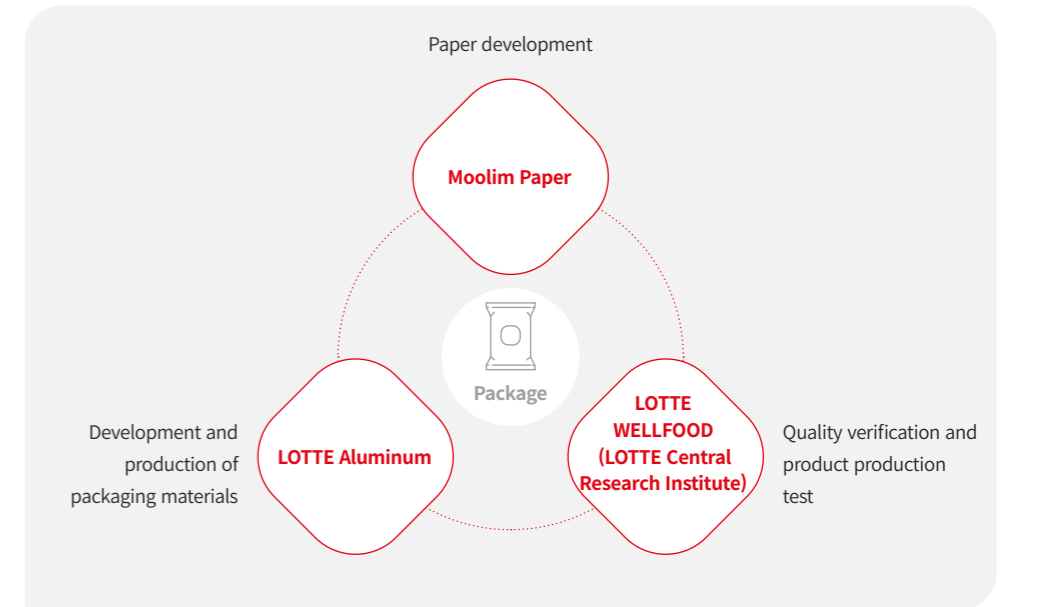
In recognition of this achievement, LOTTE WELLFOOD won the Korea Packaging Technology Society President's Prize at the 2022 Korea Packaging Award, held by the Korea Institute of Production Technology, for developing a paper-based spout pouch suitable for freezing conditions. In the future, we are conducting additional research and review to apply sustainable packaging materials to a wider range of products.

Snow Ice X Angel-in-us Café Latte package improvement case



Collaborative system for developing paper-based spout pouches

Since 2022, LOTTE R&D Center has been participating in the "Korea Institute of Startup & Entrepreneurship Development" project, a startup collaboration program organized by the Ministry of SMEs and Startups. Under the program, we are developing packaging technologies that can improve safety, reduce food waste, and extend the shelf life of baked goods and fresh foods (such as salads). To this end, we are collaborating with Neuro Pack and FM Pack to utilize technologies such as coated antibacterial packaging, anti-fog coating packaging, and CO₂-generating packaging.



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Expanding Sustainable Packaging in the Circular Economy

Green Certification

LOTTE WELLFOOD uses packaging materials certified by the Ministry of Agriculture, Food, and Rural Affairs to minimize negative environmental and social impacts throughout the product lifecycle. From 2020 to 2022, we introduced packaging materials using eco-friendly ethanol for a total of 48 products, replacing 419.4 tons of ink and solvents.

We also began using flexographic printing, an eco-friendly printing method, on the outer packaging of our Chic Choc and Custard products in 2023. Flexographic printing is certified as a green technology due to its environmental benefits of faster drying, less organic solvents, and reduced greenhouse gas emissions. LOTTE WELLFOOD plans to apply this method to its Mon Cher, Binch, Harvest, and Vegetable Cracker Biscuit, as well as to its Kokkal Corn outer packaging, with an expected annual reduction in ink and organic solvents of approximately 96 tons.

Products with Green Certification

Category	Items	Products (Unit: products)
Biscuits	Mon Cher, Choco Pie, Pepero, Custard, Magaret, etc.	27
Ice cream	Natuur, Papico, Jewel Ice Bar, Crunch Bar, etc.	7
Bakery	Red Bean Steamed Bread, Mini Sandwich Cookie	13
Processed meat	Chefood Pork Cutlet	1
Total		48

Results for the last 3 years



FSC Certification

Every year, LOTTE WELLFOOD launches the Lotte Ham holiday gift set with environmentally friendly packaging. Since 2022, we have introduced paper bags made from FSC-certified paper instead of plastic, and LOTTE WELLFOOD has removed the existing plastic tray and applied a special tray made from FSC-certified paper. The amount of plastic reduced by applying the special tray is approximately 33 tons per year. We also use soybean oil ink, which is easier to degrade than conventional ink and is therefore more environmentally friendly.

In addition, all paper square cartons (Tetra Pak) used for dairy product packaging are made from FSC-certified paper and support forests that practice sustainable development. In addition, LOTTE WELLFOOD is taking the lead in expanding the circular economy by improving packaging to reduce environmental impact across its products, including the use of biodegradable resin (PLA) in some of its ready-to-eat containers such as lunch boxes, salads, and sandwiches.

FSC Certified Products

Category	Items	Products (Unit: products)
Biscuits	Zero Choco Chip Cookie / Cacao Cake	2
Ice cream	Selection Choco	1
Dairy	Non-antibiotic Bareun Mokjang Certification Milk, etc.	21
Processed meat	Rose Farm Holiday ECO Gift Set, etc.	33
Total		57



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Expanding sustainable packaging based on the circular economy

Sustainable Packaging Progress in 2022

The annual reduction of container and tray plastic in 2022 through the continued implementation of the Sweet Eco 2025 project is approximately 533.6 tons. This is 65% of the targeted plastic reduction of 815 tons we declared to achieve by 2025.

Brand	SKU Name	Details	Reduction	
	Clutinous Rice Cake Pie	Change of thickness and material of the inner packaging	11.7	
	Crunky	Choco Bar	Change of thickness and material of the inner packaging	13.4
	Custard	Change of tray material (plastic → paper)	127.2	
Kancho		Removal of tray and change of outer packaging pillow to paper	70.7	
		Change of container material (plastic → paper)	81.3	
Cereal		Change of container material (plastic → paper), removal of cap	36.6	
Mom's Homemade Pie		Change of tray material (plastic → paper)	38.1	
		Change of outer packaging thickness	3.1	
Anytime		Removal of PE Zipper	1.4	
		Use of recycled plastic (outer packaging material)	2.1	
Selection		Change of case coating material	6.8	
		Reduction of container weight	3.9	

Brand	SKU Name	Details	Reduction	
	Rice Ice Cake	Change of pin (fork) material (plastic → wood)	27.0	
	Red Bean Ice Flakes	Reduction of container weight	15.3	
Natuur	Cup	Removal of OPP film coating for container	0.8	
	Pint	Change of CAP material to paper	53.8	
	Cake	Change of package to paper cake box for specialty stores	1.2	
	Bar	Removal of OPP film coating for case	0.9	
	Zero Fruit Jelly	Application of paper pouch	2.0	
	Zero Granola Choco Balls	Application of paper pouch	2.7	
	Snow Ice	Sweet Cafe Latte	Application of paper pouch	0.6
	Rose Farm	ECO Gift Set	Change of tray and lid paper	33.0
Total			533.6	

Awards

In recognition of these efforts, LOTTE WELLFOOD was awarded the Minister of Environment Award at the 12th Green Packaging Competition by the Korea Environment Packaging Promotion Institute for its plastic-free 'Mom's Homemade Pie', 'Custard', and 'Kancho' products.



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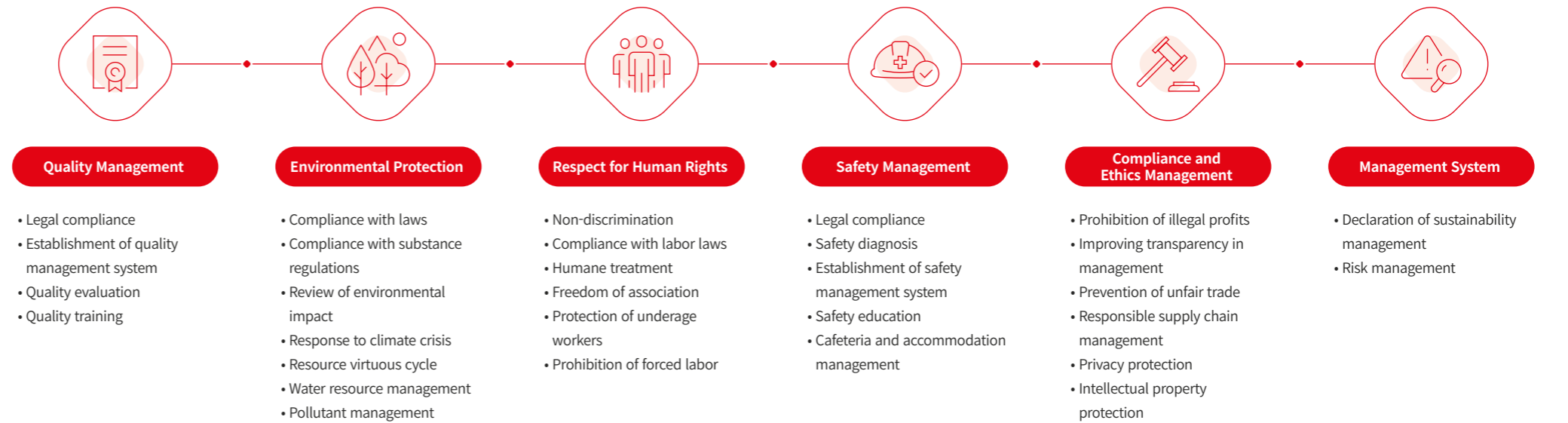
Supporting our partners' ESG management

LOTTE WELLFOOD recognizes that the collaboration of our stakeholders is essential to building a sustainable supply chain. We strengthen the sustainability of our supply chain by strengthening the ESG management capabilities of our partners who directly influence our business activities.

Code of Conduct for Partners [Details](#)

LOTTE WELLFOOD established and disclosed the Code of Conduct for Partners in June 2022 to manage social and environmental issues in the supply chain. The Code of Conduct is organized into six themes: environmental protection, respect for human rights, safety management, quality management, compliance and ethical management, and strengthening the sustainability of the management system. LOTTE WELLFOOD will require its partners to comply with the Code of Conduct and evaluate their compliance to enhance supply chain sustainability.

6 Codes of Conduct



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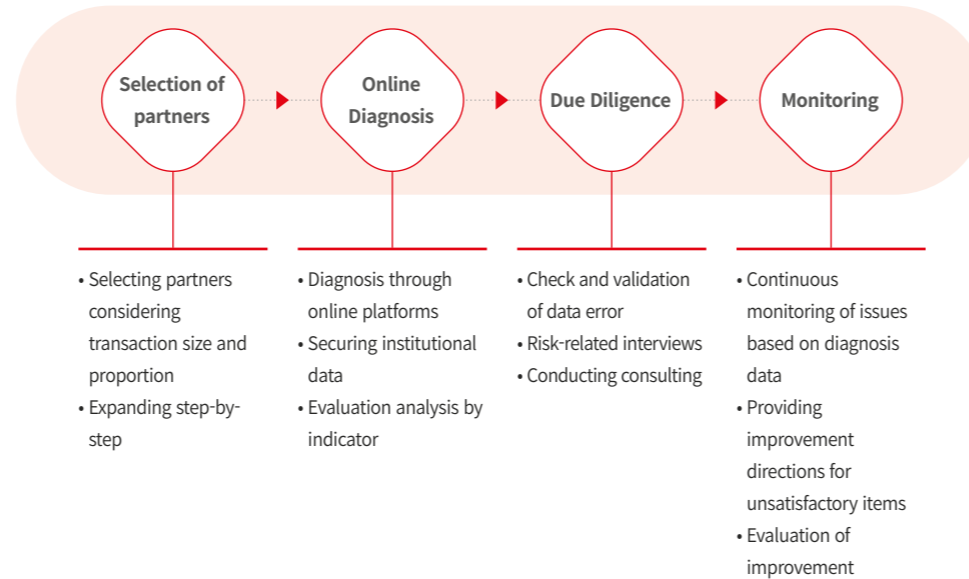
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Supporting our partners' ESG management

Partner ESG Assessment

LOTTE WELLFOOD supports its partners in implementing sustainable management as part of its supply chain risk management. In June 2022, we established the Code of Conduct for Partners, and we plan to establish a sustainability assessment system based on the Code to diagnose the ESG management level of our partners from 2023. We will select companies for diagnosis, considering the size and materiality of their transactions with us. We will strengthen their sustainability management capabilities through online diagnosis, on-site due diligence, and identification and supplementation of improvement points. In addition, to enhance the effectiveness of ESG diagnosis, we are considering providing incentives to excellent partners, such as selecting companies that support shared growth.

Partner ESG Assessment Process



Assessment Roadmap

Classification	2023	2025	2030
Stage	Introduction	Progress	Settlement
Operation direction	Improving partners' awareness of the need for ESG evaluation through ESG education, diagnosis, and consulting	Improving ESG items across the supply chain by diagnosing partners over a certain size	Promoting consistent quality management and shared growth across the supply chain through ESG diagnosis of all partners
Selection criteria (trading amount)	KRW 1 billion or more	KRW 100 million or more	KRW 100 million or more
Online diagnosis	About 15% of all partners	About 50% of all partners	All partners
Due diligence	About 20% of partners who need in-depth support among online diagnosis targets		

ESG Training for Partners

To raise the ESG awareness of our partners and build sustainable partnerships, we provided training to representatives of 43 partners at the Win-Win Support Council workshop held in November 2022. The training covered the concept of ESG management, domestic and international legal trends related to sustainability management, green-washing cases and implications, the current status of our ESG management, and countermeasures for SME partners. We will expand ESG training and support for our partners to manage supply chain ESG in the future actively.



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Wholesome & Reliable



Why Important?

Food consumption trends include a wider range of factors than ever before, including taste, quality, eco-friendliness, social value and self-actualization. In particular, food products that fail to meet health trends and other diverse consumer needs are being shunned. Global food companies are quickly responding by introducing diverse products that meet those needs.

How we manage?

In 2021, LOTTE WELLFOOD initiated the 'Beyond Sweet' Project with 5 products with the mission of 'adding health to taste'. With the LOTTE FOODS merger, we expanded the health and wellness theme across a broader portfolio. We continue to invest in R&D to develop new products that meet diverse consumer needs such as nutritional, functional and botanical thereby earning their confidence and trust. LOTTE WELLFOOD is helping to create a healthy food culture that our consumers can trust and enjoy while meeting their diverse needs.

What are results?



32.88 billion KRW

Sales of products labeled for enhancing health and nutritional attributes

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2. Wholesome & Reliable

Healthy and Safe Product Development System

LOTTE WELLFOOD's sustainable growth is based on consumer trust in healthy and safe products. By prioritizing the importance of food quality and safety in our business, we have introduced a food safety system and established product development governance to provide our consumers with products they can enjoy with confidence. We are also strengthening the accessibility of product information to help our consumers make informed decisions during the product purchase process.

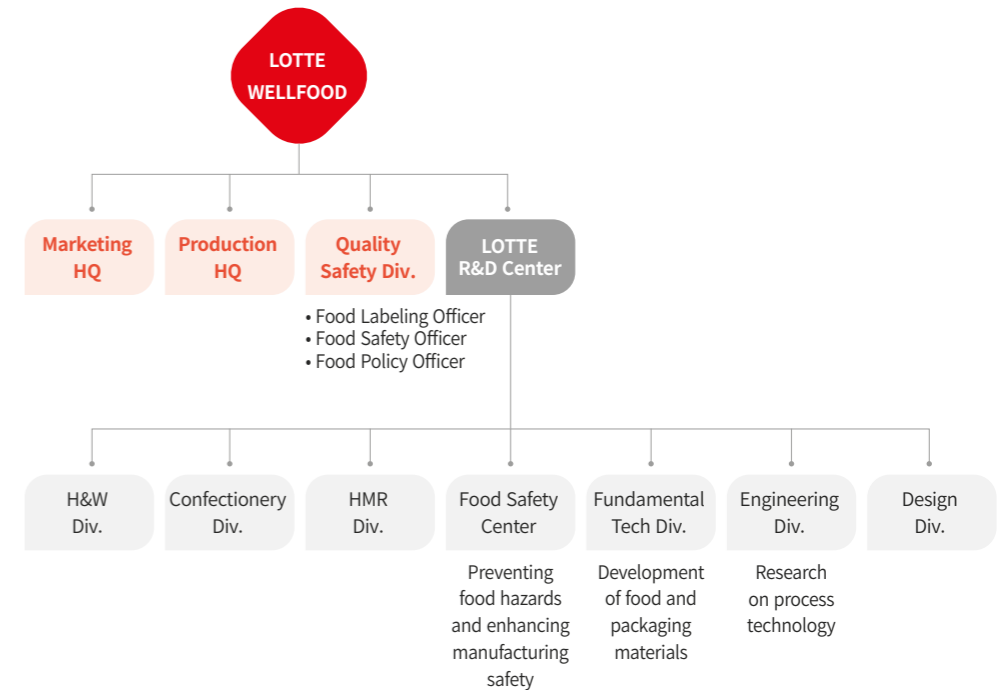
Food Safety System

LOTTE WELLFOOD introduced FSSC22000 (Food Safety Management System) and ISO22000, which are food safety standards approved by the Global Food Security Index (GFSI), in 2012 to manage quality according to international standards, and currently holds certifications for all factories except LOTTE Fresh Delica No.2. The Quality & Safety Department conducts annual certification renewal audits through the person in charge of each plant. Through the audits, we manage hazardous factors and undergo periodic inspections by the departments in charge. In addition, we signed a business agreement with AIB International in March 2023 to strengthen our partners' quality and safety capabilities. The U.S. food hygiene inspection agency has about seven times more inspection items than domestic HACCP certification and strict inspection standards based on on-site due diligence, which is expected to actively support LOTTE WELLFOOD in establishing stronger quality safety and hygiene conditions. Through this MOU, we will conduct due diligence on approximately 125 factories, including domestic and overseas factories, as well as the business sites of major partners, in a phased manner to improve the hygiene level and quality competitiveness of each production site. We will provide consumers with safer and more reliable products based on strict evaluation criteria based on global standards.



Product Development Governance

LOTTE WELLFOOD develops products in collaboration with LOTTE R&D Center, the food development research organization of LOTTE Group's food and beverage companies. In January 2022, the R&D organization was systematized by establishing the Design Division, Technology Division, and Fermentation Application Division, and in January 2023, the H&W Division conducted more specialized research and product production activities.



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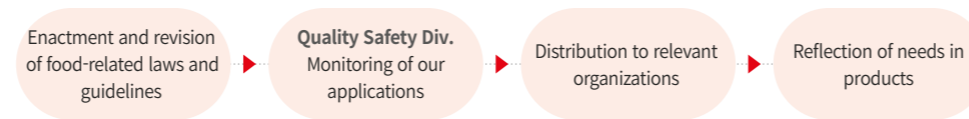
2. Wholesome & Reliable

Healthy and Safe Product Development System

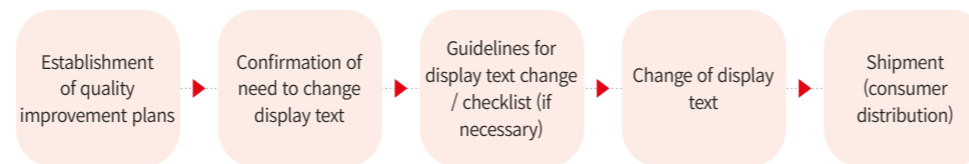
Activities to comply with labeling responsibilities

Consumers are now demanding straightforward and specific information to make product purchasing decisions. LOTTE WELLFOOD recognizes the importance of labeling to consumer health and safety and is committed to ensuring that consumers have easy access to product and safety information during the product purchase process. LOTTE WELLFOOD follows the following process to comply with its labeling responsibilities when changes occur to food safety information, including nutritional content, dosage, quality, ingredients, and use-by dates.

Legal Monitoring Process



Display Text Change Business Process



Braille-enabled packaging

LOTTE WELLFOOD has been applying Braille to its Xylitol refill pouches since 2022 to help consumers with difficulty identifying products only based on visual information. This braille application was developed in collaboration with the Korea Blind Union after conducting a design trial with consumers with visual impairments and collecting and reflecting on their feedback. We are considering applying Braille packaging to more products and continue researching to ensure that a wide range of consumers can use our products safely and conveniently.



Life Cycle Assessment

Issues of raw material and energy consumption, pollutants, and greenhouse gas emissions occur throughout a product's life cycle and require integrated management. The entire process must be considered from the design stage and requires a multi-faceted approach to manage these impacts.

LOTTE WELLFOOD acquired the Environmental Product Declaration (EPD¹), the Ministry of Environment's product environmental impact certification system, in September 2022 for one of our representative products, Kokkal Corn (savory flavor 67g), and discloses seven environmental impacts, including carbon footprint and water footprint, throughout the product's raw material sourcing, manufacturing, and disposal stages through life-cycle assessment activities. In the future, we are considering further expanding the disclosure of environmental and social impacts generated during the production process of our products, including the EPD, to strengthen our responsibility in the entire product lifecycle.

1) Environmental Product Declaration System: a system for quantitatively indicating the environmental impact of products and services on the life cycle, including raw material collection, production, transportation/distribution, use, and disposal, to improve the environment of products and services.

Environmental Product Declaration on Kokkal Corn Savory Tast 67g

Classification	Unit	Generation
Carbon Footprint	kgCO ₂ e / unit	0.169
Resource Footprint	kgSbe / unit	0.0010
Ozone Depletion	kgCFC-11e / unit	0.000004
Acidification	kgSO ₂ e / unit	0.0008
Eutrophication	kgPO ₄ -e / unit	0.0005
Photochemical Smog	kgC ₂ H ₄ e / unit	0.0001
Water Footprint	m ³ H ₂ Oe / unit	0.033



Carbon Footprint

(Unit: kgCO₂e / unit)



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2. Wholesome & Reliable

Health and Wellness

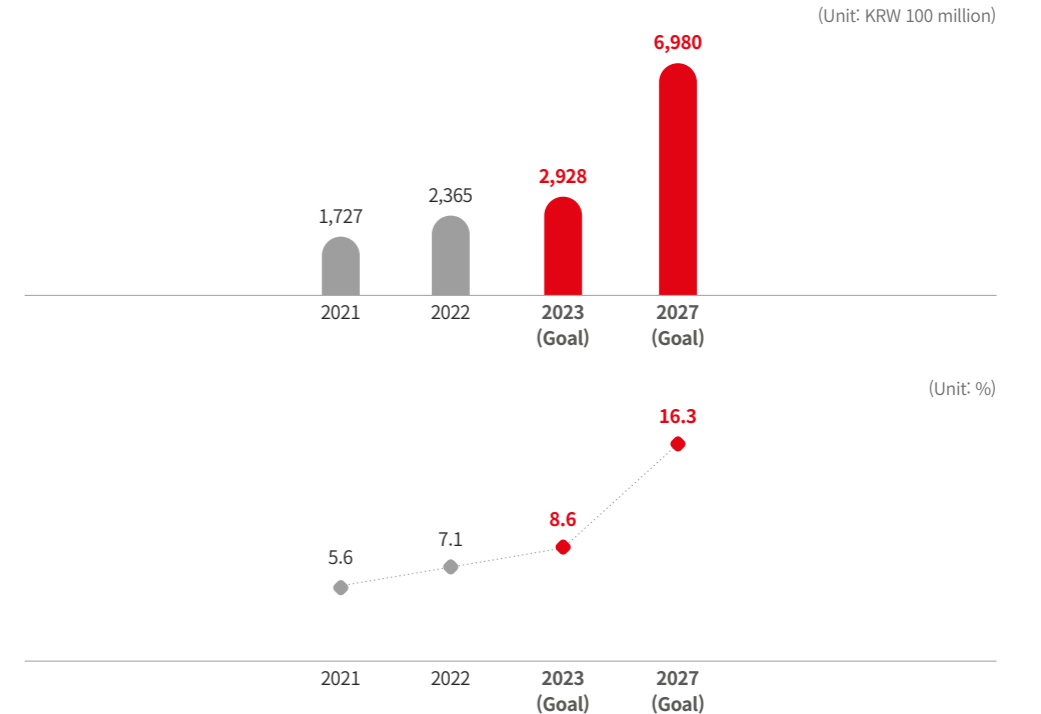
As a result of the merger, LOTTE WELLFOOD has build a product lineup covering the lifecycle of all age groups and established a category-specific agenda as outlined below, to expand the launch and offering of health-oriented products. Accordingly, we have established health and wellness as a key agenda for our business operations, and we aim to nurture our brand and expand sales by expanding product launches that take this into account. We are pursuing wellness by strengthening our product lineup according to the mid-to-long-term agenda of nutrients, functionality, and botanicals and discovering various ingredients that can realize the health-oriented values of our customers. LOTTE WELLFOOD is strengthening alternative meat and ZERO brands, meeting consumers' needs for health and well-being. We also manage sustainability throughout the value chain by building a sustainable agricultural ecosystem and strengthening our eco-friendly and organic product lines. By leading the way for the future of environmental protection and sustainable food business, we aim to contribute to the enjoyment of healthy lives by providing products that consider the health and well-being of our customers. By 2027, we are targeting a 16.3% share of total sales for our H&W product line.

Health & Wellness Agenda

Leap forward to become a sustainable food company by fostering health & wellness brands



Proportion of H&W Brand Sales



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Health and Wellness

Nutrition

Obesity, which has been rising in recent years, leads to physical and mental health problems such as hypertension, diabetes, hyperlipidemia, and depression. To help consumers form healthy eating habits and expand product choices, LOTTE WELLFOOD is promoting activities to increase the use of the five significant nutrients and nutritious ingredients while reducing the number of ingredients that may be over-consumed. To improve and manage the nutrition of our products, we apply a process that monitors them from product development to post-launch.

Expanding the Top 5 Nutrients and Health-Supporting Ingredients

• Easy Protein

Designed to deliver approximately 5.1 eggs whites worth of protein and 4,000 mg of fiber in a single serving, the Pasteur's sports protein specialty drink helps consumer intake high-quality protein in easier way.



• Dream Cacao

A leading chocolate brand that contains polyphenols, known as antioxidants, with a choice of cacao content. Dream Cacao 82% has more than nine times the polyphenols found in 100 grams of blueberries.



• Pasteur Kindermilch

Processed milk for children is designed to meet the daily nutritional needs of growing babies and toddlers. Contains a patented blend of plant-based DHA, multi-prebiotics, calcium, potassium, zinc, and vitamin D.



Reduced amounts of ingredients of concern for overconsumption

About sugar alcohol

• No Sugar Brand 'Zero'

A sugar-free dessert brand that uses alternative sweeteners instead of sugar in response to consumers' concerns about excessive sugar consumption. By launching cookies, cakes, and other dry goods that realize sweetness without sugar, the brand has recorded sales of 30 billion won in six months and plans to introduce more diverse lineups.



• Rose Farm 97 Light

A healthy room temperature canned ham¹⁾ product with 25% less sodium than conventional canned ham products and no added 5 synthetic flavoring ingredients²⁾.



1) 25% down from the average sodium content of the top 3 products in the market share
2) Potassium Sulfate, Sodium Erythorbate, Calcium Sulfate, Cochineal Extract Color, Water Soluble Annatto

Product nutrition management process



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Health and Wellness

Plant-based

Reducing the environmental impact of animal agriculture, protecting animal rights, consuming plant-based nutrients, and staying healthy are many reasons consumers choose products made exclusively from plant-based ingredients. LOTTE WELLFOOD is expanding its research and launch of products made from 100% plant-based ingredients to honor and promote these values. By doing so, we are reducing the resource consumption associated with meat consumption and providing consumers with nutrients derived from plant-based sources.

Plant-based

• Nàtuur

Premium ice cream brand Nàtuur has a vegan lineup made entirely from plant-based ingredients. Instead of using common ice cream ingredients such as milk and eggs, the brand uses cashew nut paste and coconut milk for flavor and taste. The company has been certified vegan by passing a rigorous animal DNA test by the Korea Agency of Vegan Certification and operates four flavors.



• Zero Meat

Made with plant-derived proteins and ingredients, we aim to deliver the health benefits of nature easily and deliciously with our 0% cholesterol vegetarian food. The research was conducted to create the texture and flavor of the meat without using meat, soy-derived proteins, whole wheat extruded proteins, etc., to recreate the muscle fiber of meat, and yeast extracts to enhance the umami flavor.



• V-Bread

A vegan bakery brand made without essential baking ingredients like milk, butter, and eggs. It has a lineup of four products that are good enough for meals and snacks, including “focaccia bread” with extra virgin olive oil, “mini oat bread” using oatmeal, “peanut muffin” with peanut flour, and “rice brownie” using soy milk and domestic rice flour.



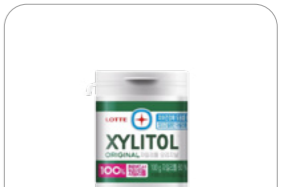
Functionality

With the spread of COVID-19 and an aging population, the need for consumers to choose products that support their health is growing. This also drives demand from consumers who want to verify the health-related benefits of products objectively and need products suitable for their age, gender, and health situation. LOTTE WELLFOOD considers these market conditions and is expanding its range of products using functional ingredients.

Functionality

• Xylitol

Xylitol is known to help prevent tooth decay and promote dental health. The Ministry of Food and Drug Safety officially recognized Xylitol products as functional labeled food in March 2023. In addition to xylitol, the product contains the seaweed extract ‘Funoran’, CPP, and calcium phosphate, which can re-calcify teeth. With the approval of xylitol as a functional labeled food, LOTTE WELLFOOD plans to continue various research and promotion activities to promote healthy dental habits among consumers.



• Quebyeon

Pasteur’s bowel movement yogurt ‘Quebyeon’ contains 3400 mg of inulin chichory extract, a functional ingredient known to help smooth bowel movements, and was approved as a functional labeled general food for the first time in the domestic fermented milk industry in February 2021.



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2. Wholesome & Reliable

Enhancing authenticity in product and service marketing

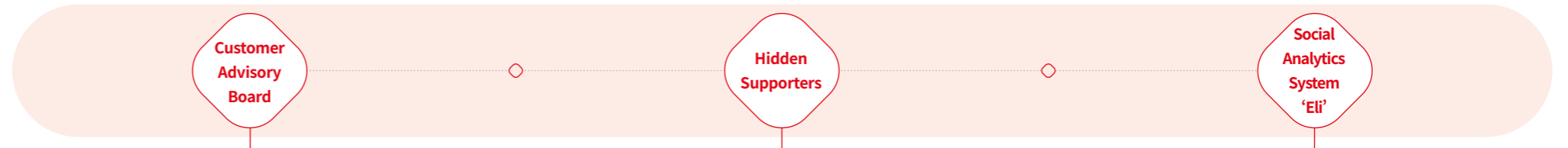
LOTTE WELLFOOD reflects social trends and consumers' real voices in its product development process to ensure authenticity. We have a dedicated work organization and various channels for listening to consumer opinions, and we actively reflect their opinions and suggestions in our product launches.

Consumer Communication Channels

LOTTE WELLFOOD actively communicates with customers through social media channels and our website, introducing our product news and holding various events to experience our products.



Strengthen consumer-oriented portfolio



We operate a customer advisory board to get real opinions and ideas from consumers about our products. Now in its second year of operation in 2022, the Board selects consumers with a wide range of ages, occupations, purchase frequencies, and channels by category and supports the verification of hypotheses made during strategy formulation and concept development. As a result, we are making more accurate and faster marketing decisions.

Hidden Supporters is a college student marketing support program launched by LOTTE FOODS in 2012 and has been integrated with LOTTE CONFECTIONERY's Sweet Creator since 2022. The program consists of content marketing through SNS and opinions of MZ generation through surveys and interviews. Through this program, we embrace the perspectives of trend-savvy and creative MZ consumers, and supporters with a keen interest in the food industry are allowed to participate in product development. The suggestions of the 19th Hidden Supporters were used to launch two types of Chefood frozen pasta, and the marketing suggestion utilizing the phrase "sweet and salty" from the 20th Hidden Supporters was used to promote Goo Goo Cone Salted Caramel.

'Eli' is our dedicated data analysis system introduced in September 2022 to analyze online trends for data-driven marketing decisions. Based on the collected raw data, we utilize it to establish marketing strategy direction and discover new product ideas by monitoring real-time trends and consumer reactions.



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Driving Beyond



Why Important?

The confectionery market is growing slower than before due to the declining birth rate, aging population, as well as diversification of the food culture. Meanwhile, competition in the domestic confectionery market is intensifying due to expanded alternatives such as imported products and desserts. In addition, food shortages and raw material supply crises caused by climate change and market uncertainties are resulting in the food industry to respond in new ways. Not to mention, the boundaries between industries are blurring with consolidations ever increasing.

How we manage?

LOTTE WELLFOOD, with its expanded business scope through the merger with LOTTE FOODS, is developing products that are health-oriented but adhere to social and environmental issues. This not only strengthens the sustainability of our product portfolio but better positions us to enter overseas markets. Furthermore, we will pursue future growth engines by investing in new businesses, partnerships and actively promote open innovation and in-house startups.

What are results?



16.526 billion

Investment in Food Tech startups

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Strategies to strengthen our existing business portfolio

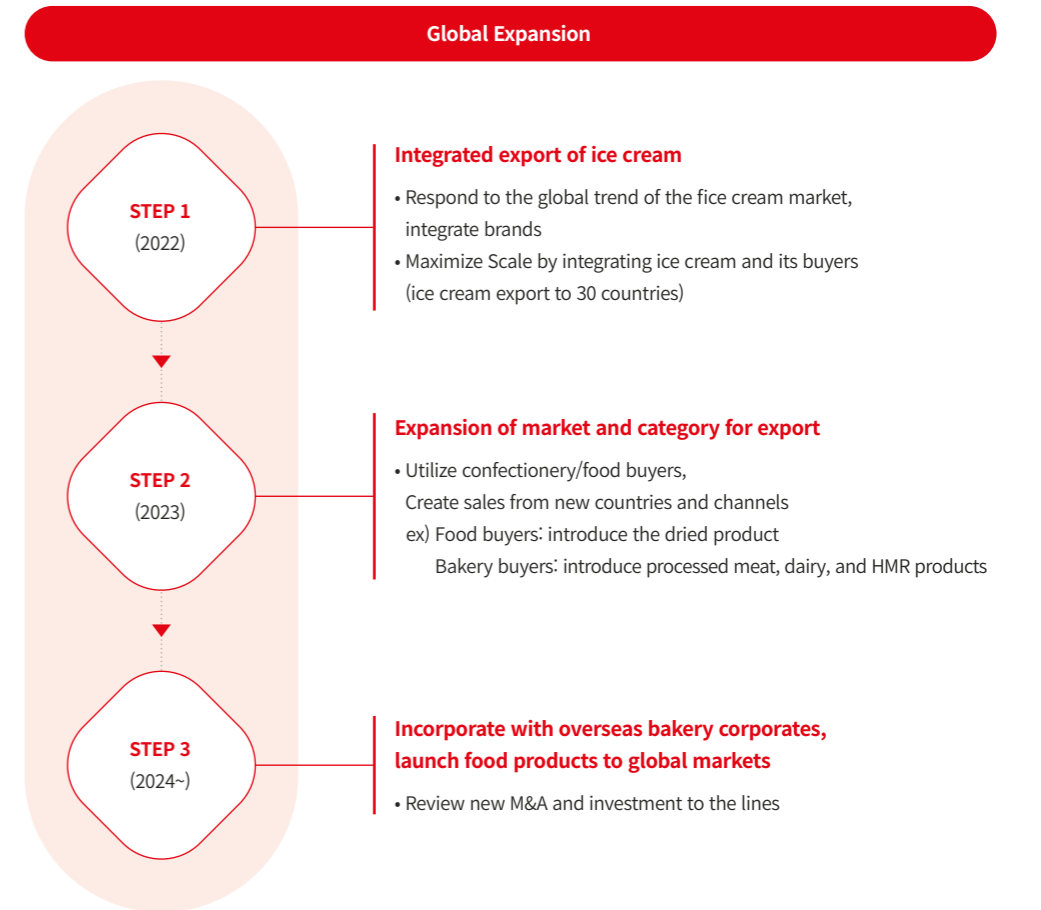
Global Business Expansion Plan

LOTTE WELLFOOD has overseas subsidiaries in eight countries, including developing countries with high economic growth rates, and plans to expand its global business to become a global integrated food company. Since the merger, the global sales team of LOTTE CONFECTIONERY and the export team of LOTTE FOODS have been integrated, and we are working on unifying overseas ice trading lines. As part of this, we plan to expand exports in the food sector by utilizing the sales network of the confectionery sector in the existing countries and launch products tailored to local characteristics. In addition, we are implementing our global business expansion plan in stages by purchasing existing corporate sites, expanding production lines, and investing in efficiency improvements. To improve profitability, we also plan to expand overseas markets centered on regions with high growth potential and strengthen the market position of the LOTTE brand. In the short term, we plan to expand our market share by building new production lines and factories for dried and frozen products, mainly in India, where we are already present. At the same time, in the mid-to-long term, we will consider entering new markets such as North America and Western Europe through M&A and JVs.

Planning for international operations

Category	Name of Corporate	2023 Project	Mid-to-long term plan
India	• LOTTE India • Havmor	• expand 3 production lines of Choco Pie • expand World Cone, add ice cream line	• expand LOTTE brand • construction of a new ice cream factory
CIS	• LOTTE Rakhat • KF-RUS	• launch and stabilize new chocolate bar products • expand the market share of Choco Pie / launch Mon Cher	• expand LOTTE brand • expand export in the entire CIS region
Europe (Belgium)	• Guylian	• Guylian brand renewal	• expand market, product
Review launching in a new market		• expand overseas business synergy among affiliates	• M&A, JV

LOTTE WELLFOOD Overseas Export Strategy



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Future Business

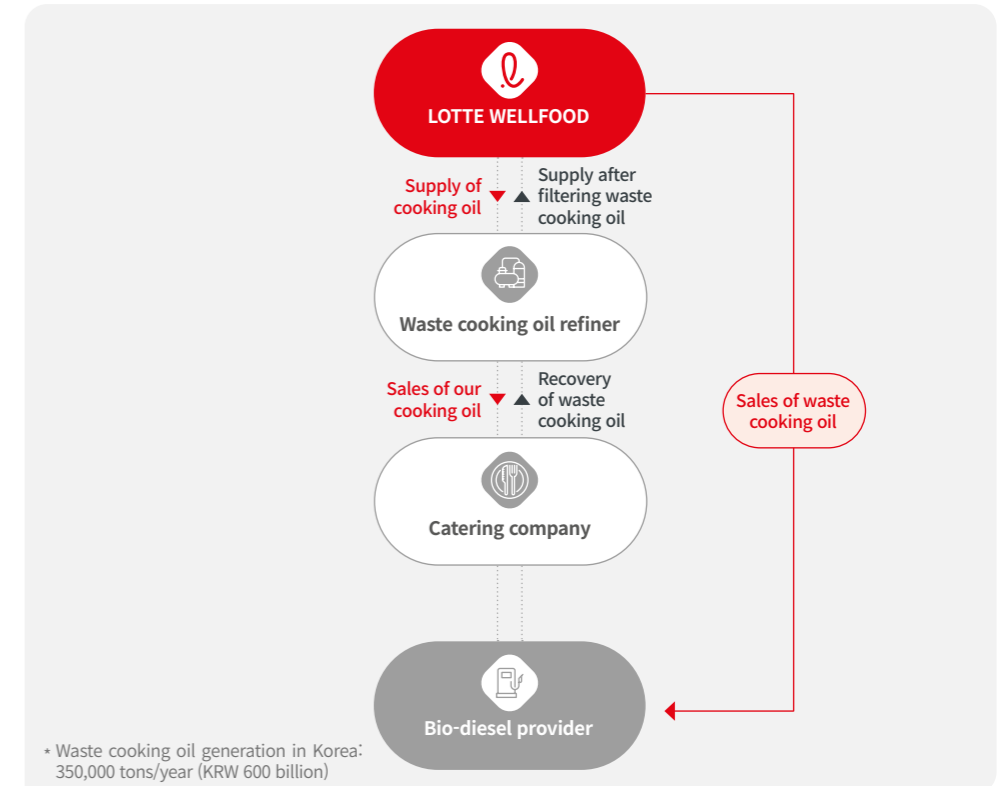
There is uncertainty across industries related to the Fourth Industrial Revolution, including the coronavirus pandemic, climate change, changing social trends, and technological advances and innovations. Companies in the food industry are going beyond strengthening and expanding their existing businesses to pursue combinations between different industries. LOTTE WELLFOOD is strengthening its efforts to achieve sustainable growth. Externally, we are securing financial results by identifying businesses that can create added value through collaboration with other industries. We are strengthening M&A and strategic investments centered on our existing food HMR and alternative food ingredient businesses to secure future growth engines. Internally, we are striving to establish a creative organizational culture through the operation of a new business bulletin board and to attract the interest and participation of employees to discover new businesses. By actively supporting employees' ideas to be commercialized, we are internalizing a culture of sustainable growth.

'Oleochemical' - Business of Bio-Diesel Raw Material Supply

LOTTE WELLFOOD has signed a strategic partnership agreement (MOU) with Hyundai Oilbank, a leading refiner in Korea, to launch its oleochemical business. Oleochemicals, which makes chemical products from animal and plant-based oils, is one of the business areas of the Non-Edible Oil Division that supplies biodiesel raw materials by recovering and refining oil byproducts generated by LOTTE WELLFOOD's trading partners. Currently, we are testing waste cooking oil collection from some LOTTE Group companies, and we plan to expand the business by gradually expanding the collection targets to our suppliers. Through oleochemical, we will reduce discarded food byproducts that burden the environment and commercialize biodiesel, which has lower carbon emissions than conventional petroleum fuels, to promote resource recycling and protect the environment.



Oleochemical Business Process



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Future Business

Upcycling Waste Cooking Oil into Eco-friendly Energy

LOTTE WELLFOOD's Cheonan plant had been spending nearly KRW 300 million annually to dispose of wastewater sludge and vegetable residues. To solve the problem, we decided to introduce a new business model to utilize these wastes as raw materials. Wastewater sludge can be used as a source of heat in cement plants, and vegetable residues have a calorific value that can be used as biofuel. As a result of applying this business model, the company was able to improve its costs by about 600 million won, a combination of existing disposal costs and sales costs. In addition, LOTTE WELLFOOD is seeking a win-win direction by transparently sharing information to contribute to net-zero waste disposal across industries through the spread of this business model.

Wastewater sludge at Cheonan Plant



Affiliates

LOTTE WELLFOOD is testing the use of ice cream sludge from its Yeongdeungpo and Daejeon factories as worm feed with fertilizer factories. In addition, LOTTE Chilsung Beverage, a group company, is collaborating on a plan to use coffee grounds, a waste product from the coffee beverage manufacturing process, as boiler fuel.

Partners

LOTTE WELLFOOD proposed a solution to utilize wastewater treatment plant residues from a partner company. We applied our model to constructing another partner company's wastewater treatment plant, saving about KRW 500 million in costs.

Upcycling



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HMR Business

According to a survey by the Korea Agriculture, Fisheries and Food Distribution Corporation, the domestic HMR market is expected to more than double from KRW 2.27 trillion in 2016 to approximately KRW 5 trillion in 2022. As a quick response to these changes, LOTTE WELLFOOD consolidated its HMR brand, which was previously divided into 'Chefood' and 'La Cuisine,' into Chefood, laying the foundation for efficient operations, and introduced 'Monthly Meal Box,' a subscription service for HMR, through its online mall. As a result of these efforts, the revenue of HMR business grew 17.9% year-over-year in 2022, and we are actively making equity investments in companies that operate food assembly, wholesaling meal kit production, and subscription services to secure the HMR market as a future growth engine.

HMR Business Status

Food Assemble

In April 2022, we made a strategic investment of KRW 6.5 billion in Food Assemble, one of the top three meal kit manufacturers in Korea, and acquired a 19.6% stake in the company. Food Assemble completed its third factory in Busan in January of the same year. It is expected to play a major role in promoting our meal kit business based on its average production capacity of 30,000 kits per day.



We Huddling

LOTTE WELLFOOD invested KRW 1 billion in We Huddling, a subscription service startup in the second half of the 2022. We Huddling has established a business model to supply kimbap, lunch box, and sandwich products from LOTTE Fresh Delica, our ready-to-eat food subsidiary, to consumers through We Huddling's subscription platform, Weeat Delight.



Insect Protein Business

Globally, edible insects are considered as a solution to food shortage in future, thanks to its high content of protein compared to soy and meat. LOTTE WELLFOOD is investing in the alternative protein business, which is gaining attention in the future. We are considering producing cost-competitive products for pet food, protein supplements, and fertilizers. We are looking forward to developing them into food that can be used more widely in the future.

Status of Insect Protein Business

Ynsect

Following the signing of a Letter of Intent (LOI) with Ynsect in November 2021 for joint research on insect proteins, LOTTE WELLFOOD signed an MOU on April 26, 2023, to strengthen cooperation in research and development of alternative proteins based on edible insects. Ynsect is a startup that produces proteins using mealworms, and LOTTE WELLFOOD plans to expand its business through technology alliances, joint research, and product development based on this technology.



Aspire

In August 2022, LOTTE WELLFOOD signed a memorandum of understanding (MOU) with Aspire Food Group, a global edible insect manufacturer in Canada, to strengthen its strategic partnership. Through this agreement, LOTTE WELLFOOD will be designated as the exclusive distributor of products produced by Aspire Food Group in Korea and plans to conduct various joint research using insect materials.



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Future Business

WELLFOOD Venture (In-House Venture)

Since 2021, LOTTE WELLFOOD has been running an in-house venture program to help employees commercialize their startup ideas. The program was launched to encourage employees to take on new challenges and discover new growth engines for the company and provides various benefits such as business support grants of up to KRW 100 million, provision of external office space, one-on-one consulting with experts, spin-offs, and equity investment. In addition, we actively encourage employees to challenge themselves by providing failure incentives and guaranteeing reentry opportunities within five years. Stand Egg, selected for the first round of the In-House Venture Program, launched a mobile puzzle game with a cat character using our IP. It achieved great results, recording 300,000 users within half a year of its launch and breaking even within a year of its spin-off. In April 2023, Annual Leave, selected for the second round of the In-House Venture Program, spun off as an independent business. Annual Leave is a complex cultural space that combines LOTTE WELLFOOD's brand showroom and coffee shop and offers menus and goods utilizing LOTTE WELLFOOD products.

[Details](#)



Work space for the 1st in-house venture 'Stand Egg'

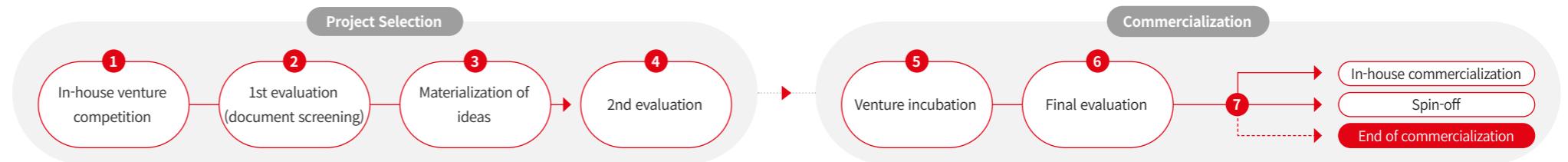
[Details](#)



A store of the 2nd in-house venture 'Annual Leave'

Internal Venture Operation Process

The internal venture operation process consists of a competition-based selection process and a commercialization process. Professional evaluators and the Innovation Committee evaluate and deliberate to select commercialization targets, conduct commercialization for a period of 180 days, and make a final evaluation to decide on commercialization, spin-off, or business termination.



Open Innovation*

LOTTE WELLFOOD held the B.Startup Open Innovation Challenge 2023 in collaboration with the Busan Creative Innovation Economy Center, a startup support organization under the Ministry of SMEs and Startups. Three promising startups with innovative ideas related to ESG and DT promotion were finally selected: Nutri Industry, which has a food waste recycling solution using insects; Bada Platform, a food safety information service company using blockchain; and Twin Cosmos, a company specializing in web-based brand marketing and corporate public relations. These companies will receive up to KRW 10 million in PoC (proof-of-concept) support and promote new businesses through organic communication and collaboration with the company's current departments. LOTTE WELLFOOD will continue to discover new future food products by creating a win-win cooperation model with innovative and creative startups through active open innovation activities.



Open Innovation Challenge 2023

* A platform for promoting an open innovation culture that aims to discover outstanding local startups that want to collaborate and partner with large companies and provide opportunities for collaboration, market validation, and business partnerships.

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Action against Climate Change



Why Important?

Preserving our planet and transitioning to low-carbon economies are the challenges for a sustainable future and will be the new global theme. In response to the global climate crisis, countries are reducing carbon emissions to achieve carbon neutrality by 2050. Specifically, governments have introduced carbon taxes and credits upon corporates to initiate climate change corporate responsibility. As climate change regulations increase, there are both direct and indirect financial impacts on food companies spurring responses.


How we manage?

LOTTE WELLFOOD has declared a carbon neutrality goal for 2040 and set a medium-term goal of reducing greenhouse gas emissions by 30% by 2030 (vs. BAU) as our response to climate change and our contribution for a sustainable environment. We have also established a roadmap for a renewable economy and are implementing plastic reduction and eco-friendly packaging initiatives. Furthermore, we are applying our carbon emission management system throughout the entire value chain, including product manufacturing, sales, and disposal. Our ESG Committee continues to preside over climate change issues and will reflect them in management policies.

What are results?



0.38 CO₂-eq / product ton
Greenhouse gas emissions intensity



38%
Conversion rate of commercial vehicles to zero-emission vehicles

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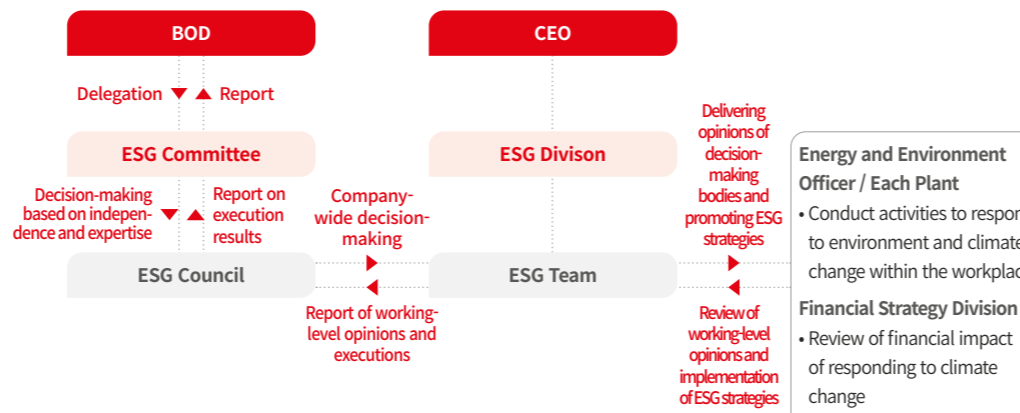
Climate Change Governance

In October 2021, LOTTE WELLFOOD established the ESG Committee of the Board of Directors as a control tower for ESG management, including climate change monitoring and response. The ESG Committee reviews countermeasures to recognize and minimize risks related to climate change and environmental pollution, reviews LOTTE WELLFOOD's climate change response goals of 2040 carbon neutrality and RE100, and decides to expand investments in eco-friendly businesses.

ESG Committee Operations and Board Oversight Activities

LOTTE WELLFOOD operates the ESG Committee and the ESG Council as organizations for monitoring and responding to climate change at the company-wide level. The ESG Committee is composed of the CEO, the Head of the Financial Strategy Division, and five independent directors. It is responsible for setting climate change-related goals, reviewing performance, and making final decisions. The ESG Council, chaired by the CEO and comprised of executives from business divisions across the company, is a working council that practically implements sustainability-related initiatives, including climate change response by the department. The ESG Team, as the operational secretariat of the ESG Council, manages the selection, planning, monitoring, and implementation status of ESG strategic tasks and collaborates with ESG-related working groups to identify and implement tasks.

Climate Change Response System



Overview of the ESG Committee

Composition	<ul style="list-style-type: none"> Independent Director: Deok-nam Hwang (Chairman), Dong-gyu Lee, Moon-ki Son, Hyun-cheol Han, Yoon-hwa Jung Inside Director: Paul Yi, Sung-wook Hwang
Convocation	Once a quarter (ad-hoc meetings when necessary)
Purpose	As an organization that deliberates key decision-making matters for corporate sustainability management, the committee reviews and approves decisions for the establishment and implementation of strategies for environment, society, and governance, supporting corporate sustainable growth.
Review agendas	<ul style="list-style-type: none"> Review of ESG strategic direction, management and oversight of key tasks Supervision of risk management from an ESG perspective Establishment of ESG KPIs, performance check, and identification of improvements Disclosure of ESG information through the publication of the Sustainability Report Networking and communication with ESG-related key stakeholders

Agendas of the ESG Committee

Date	Session	Agenda
		Approval of ESG KPIs in 2023
2023.01.19	1st	Report on organizational reform
		Report on the status of change in appointment of executives in 2023
		Approval of donation execution in 2023
2022.12.15	4th	Approval of publication of the sustainability report
		Declaration of human rights management charter and environmental management charter
		Report on the progress of KCGS evaluation in 2022
2022.03.23	3rd	Appointment of the ESG Committee Chairperson
2022.03.04	2nd	Report on matters related to the Fair Trade Commission
2022.01.21	1st	Approval of donation execution in 2022
		Approval of publication of the sustainability report
2021.10.19	1st	Appointment of the ESG Committee Chairperson
		Sharing of ESG activity status

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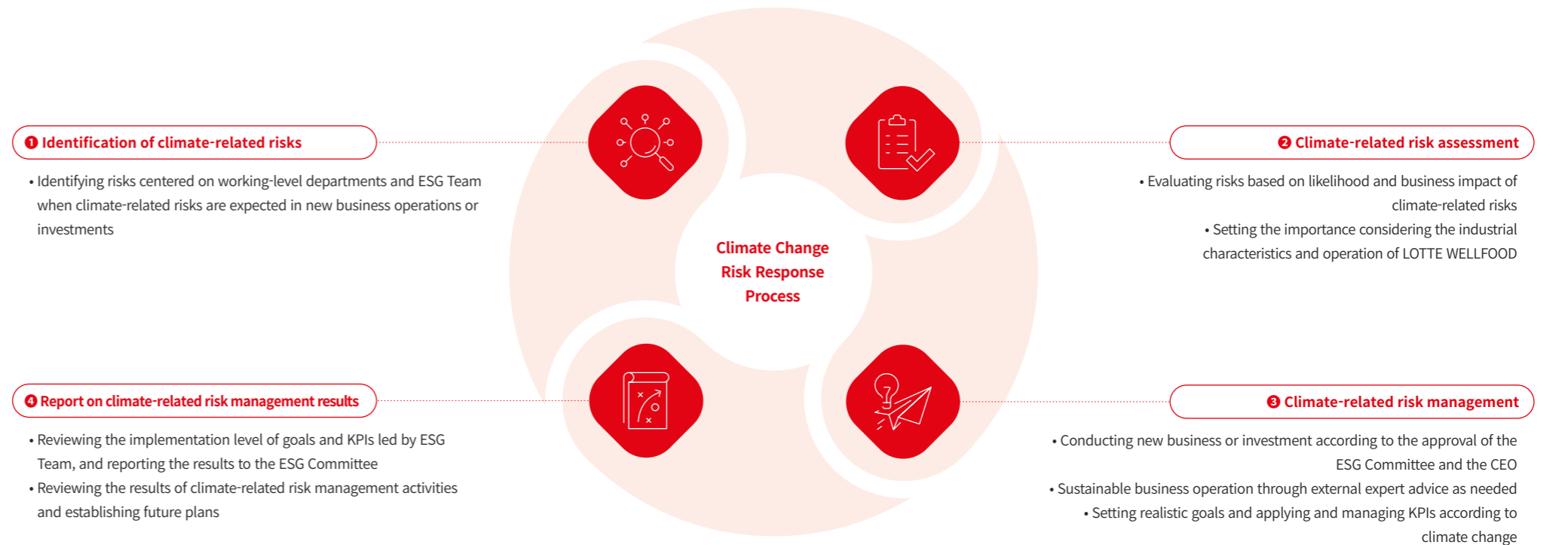
Climate Change Risks and Opportunities

Climate-related risks will impact various factors, including supply chains, customers, business operations, and financial performance. Global initiatives to address climate change emphasize the importance of measuring the financial impact of climate change on a company's business, disclosing the results, and continuously communicating with stakeholders.

LOTTE WELLFOOD systematically identifies, manages, and prevents possible climate-related risks throughout its business activities based on a climate change risk response process. In the event of a climate change risk, we systematically respond to it according to the response process to minimize the negative impact of the risk. LOTTE WELLFOOD identifies climate change-related risks and opportunity factors and evaluates their strategic significance by considering their potential or actual impact on business activities and financial performance.

The identified climate-related risks and opportunities are reflected in business operations and business strategies approved by the ESG Committee and the CEO and managed according to indicators and targets. The ESG Team reviews the level and status of implementation of indicators and targets and reports the results to the ESG Committee by the procedures.

Climate Change Risk Response Process



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Climate Change Risks and Opportunities

Managing Climate Change Risks and Opportunities

As climate change intensifies, various factors can pose risks and opportunities for organizations. Meeting the demands of external stakeholders to reduce carbon emissions may result in missed opportunities to win business or finance investments, while failing to respond appropriately to changes such as the price of greenhouse gas emission credits or carbon border taxes may increase financial burdens. However, LOTTE WELLFOOD aims to transform climate change risks into opportunities by proactively preparing for and investing in these situations. While building a foundation for low-carbon operations across the value chain, we will expand the production of eco-friendly products that respond to the voices of our customers and the needs of society, thereby reducing our financial impact and taking the lead in creating a sustainable environment.

Climate Change Risks and Actions

LOTTE WELLFOOD has identified risks, opportunities, and financial impacts related to climate change, categorized by scope and nature of impact, as shown in the table below, and is taking measures to address each.

Climate Change Factors	Scope of Impact			Risk	Opportunity	Financial Impact	Response
	Short-term	Mid-term	Long-term				
Transition factors	Policy and law	Expansion of carbon-related regulations	●	• Rising emission rights prices and related costs	• Preemptive response to carbon neutrality and securing price competitiveness	• Rising emission rights prices and decrease in operating profit	• Regular monitoring of emission trading market • Company-wide energy saving and carbon emission management activities
		Expansion of plastic use regulations	●	• Increasing use of plastic packaging materials	• Development of eco-friendly packaging materials	• Increase in plastic raw materials cost • Increase in eco-friendly packaging materials development cost	• Plastic saving and development investment activities
	Market	Expansion of eco-friendly consumption trend	●	• Competitors' launch of eco-friendly products and weakening competitiveness	• Preemptive response to eco-friendly trends and more opportunities to enter new markets	• Decrease in sales due to changes in consumer preferences • Growing sales by securing the image of an eco-friendly company	• Expansion of application of raw materials and packaging with low environmental impact
		Reputation	Reinforcement of consumer awareness related to eco-friendly consumption	●	• Weakening corporate and brand image due to failure to respond to consumption trends	• Securing an eco-friendly company and brand image by responding to consumption trends	• Declining sales and operating profit due to failure to respond to consumption trends
Technology	Advancement of low-carbon technology	●	• Increasing investment for low-carbon transition in production and business operation	• Expansion of new business opportunities by securing low-carbon technology	• Increase in investment costs in new technologies	• Investment in eco-friendly food tech such as alternative meat	
Physical factors	Acute	Occurrence of extreme natural disasters (typhoon, flood, drought, heat wave, etc.)	●	• Loss of assets, unstable supply of raw materials and rising supply chain costs due to extreme abnormal weather	• Better operation environment according to the climate change response system	• Increase in recovery and opportunity costs in the event of a disaster	• Water stress area management and facility investment review
	Chronic	Increase in global average temperature	●	• Improvement of business sites and logistics facilities according to environmental changes • Negative impact on employee health • Disruptions in the supply of raw materials	• Diversification of business portfolio	• Increasing costs for heating and cooling facilities, logistics, and storage • Loss of employee labor • Increasing costs for raw materials supply	• Reinforcement of employee safety and health management • Diversification of raw material supply channels

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Climate Change Response Strategy

Estimating the financial impact of climate change

The global climate change response trend is expanding, changing consumer perceptions and introducing new regulations on carbon emissions, plastic use, etc. The possibility of losses to physical assets such as business sites due to extreme natural disasters is expanding, and technologies are being developed to cope with them, changing the external environment and the value of companies.

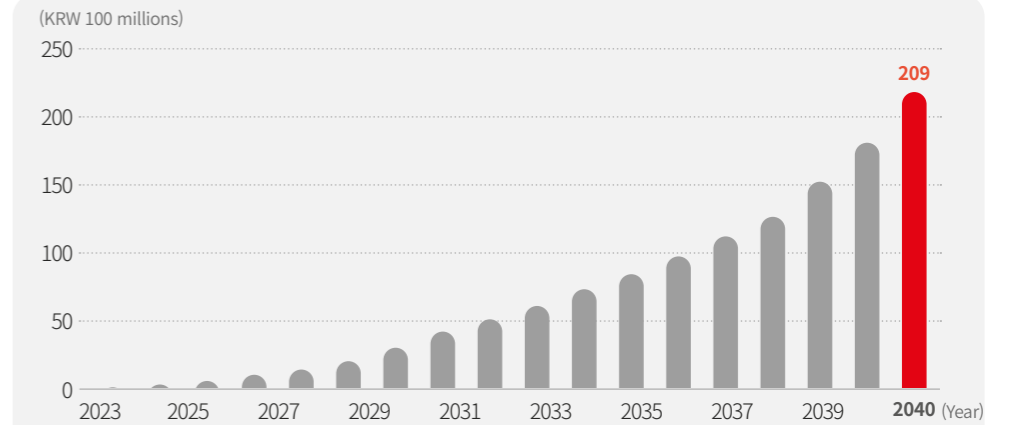
As changes in the external environment due to climate change affect a company's financial position and corporate value, global investors and financial institutions are requiring companies to disclose the financial impact of climate change and establish strategies to manage it. In response, LOTTE WELLFOOD calculated the cumulative carbon cost in 2040 based on its own Net Zero roadmap to identify the expected financial impact of climate change.

Carbon Expense

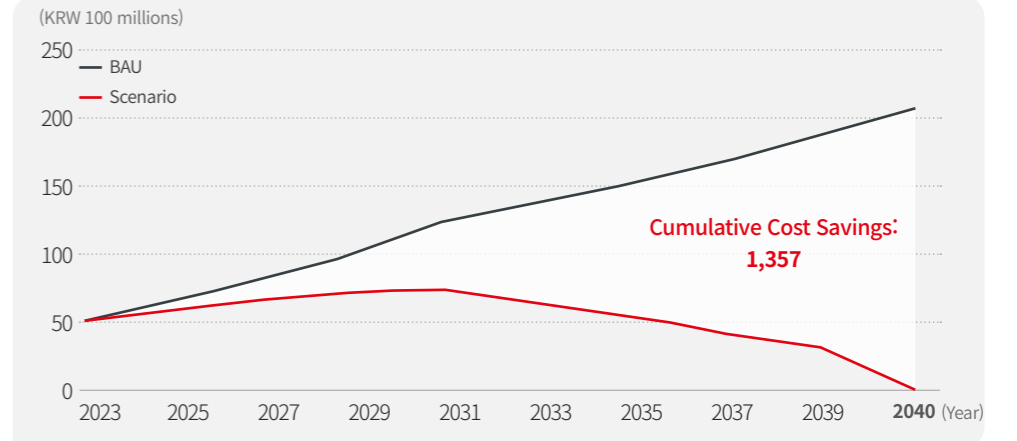
Based on BAU, LOTTE WELLFOOD's cumulative carbon cost from 2022 to 2040 is estimated to be approximately KRW 241.3 billion. This is the result of an increase in annual carbon emissions from the current business-as-usual (BAU) level and an increase in the cost of purchasing emission credits. In order to achieve carbon neutrality and RE100 by 2040 as we announced in July 2021, LOTTE WELLFOOD plans to reduce GHG emissions by expanding the self-generation of renewable energy at major business sites and gradually applying various implementation measures such as long-term contracts for PPAs and REC purchases.

The cumulative carbon cost of establishing such a carbon-neutral roadmap is expected to be reduced to about KRW 105.6 billion, and the amount of savings is estimated to be about KRW 135.7 billion. As such, LOTTE WELLFOOD's goal of achieving carbon neutrality by 2040 will be accompanied by both environmental impacts from reduced carbon emissions and financial impacts from reduced emission costs. In addition, we plan to further refine our roadmap to reflect the details of additional net-zero investments in the future and transparently disclose our progress.

Annual Carbon Cost Saving Compared to BAU When Implementing the Scenario



Carbon Cost Graph



* The carbon cost was calculation by using Korea's carbon price forecast data from the 2022 Energy Outlook report announced by the International Energy Agency (IEA).

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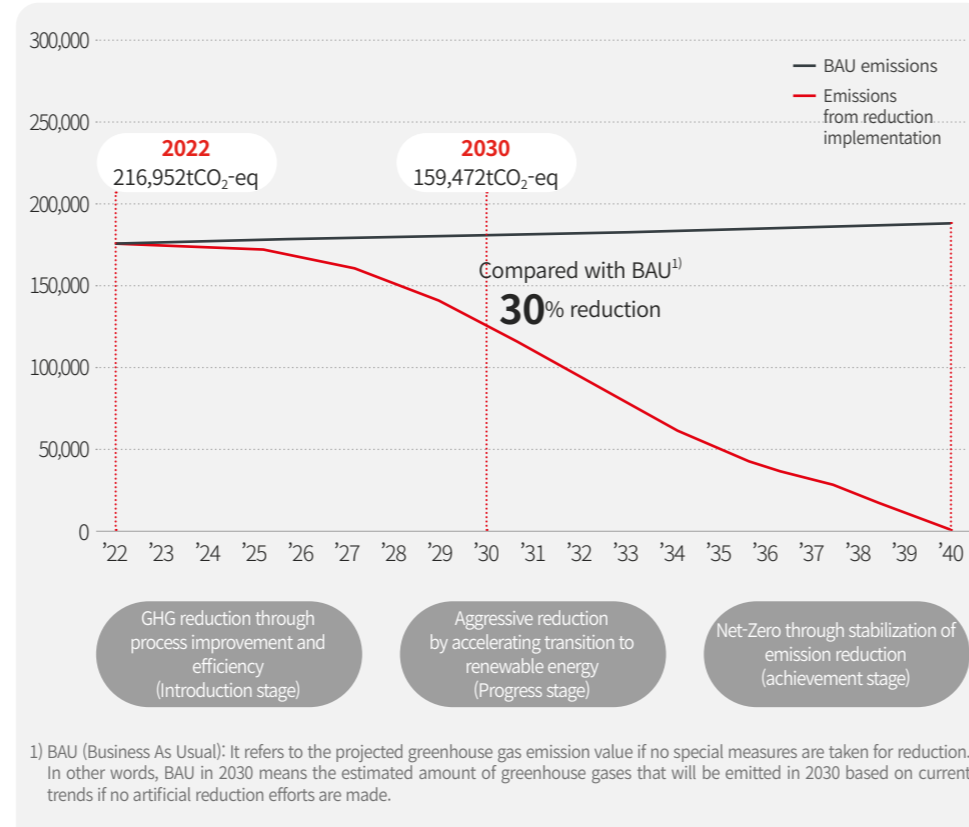
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Metrics and Target

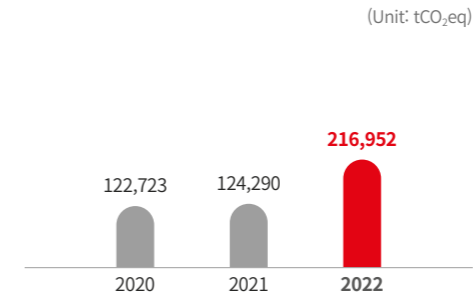
LOTTE WELLFOOD has set a carbon neutrality strategy and target for 2040 to reduce GHG emissions from its business value chain, including packaging materials, waste management, transportation/logistics vehicle management, and GHG emissions from its business sites. In the short term, we will convert our commercial vehicles to zero-emission electric vehicles and introduce high-efficiency facilities at our business sites. In the medium and long term, we plan to realize carbon neutrality by expanding renewable energy conversion through REC purchases and PPA contracts. In 2022, LOTTE WELLFOOD's total Scope 1 & 2 greenhouse gas emissions were 216,952 tCO₂-eq, and we plan to realize carbon neutrality by 2040 through active efforts to reduce energy use and emissions. In addition, we are reviewing the management of Scope 3 GHG emissions at the supply chain level to respond to climate change more responsibly.

2040 Net-Zero Roadmap

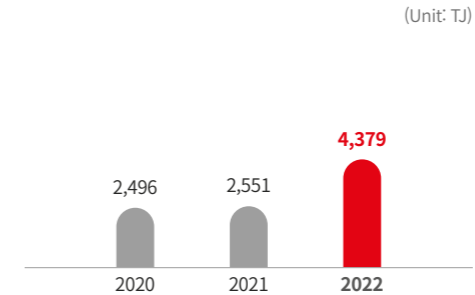


Major Management Indicators

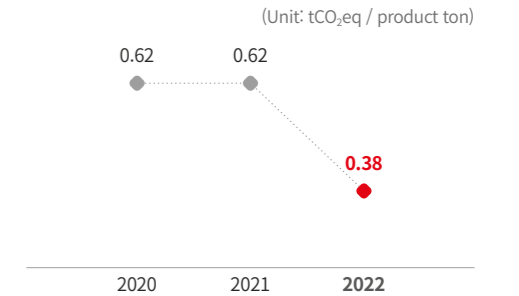
GHG emissions (Unit: tCO₂-eq)



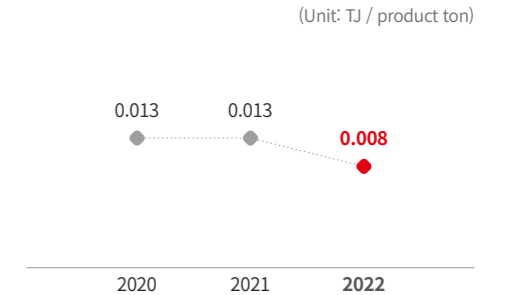
Energy consumption (Unit: TJ)



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



Energy intensity (Unit: TJ / product ton)



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Climate Change Action

RE100

In April 2023, LOTTE WELLFOOD took the first step toward becoming a sustainable global integrated food company by joining the global RE100 (Renewable Electricity 100)¹⁾ to achieve carbon neutrality. To this end, we operate solar power generation at eight production plants, including the Cheonan, Hoengseong, and Gimcheon plants, and plan to procure renewable energy through various methods such as Power Purchase Agreements (PPA) and Renewable Energy Certificate (RECs).

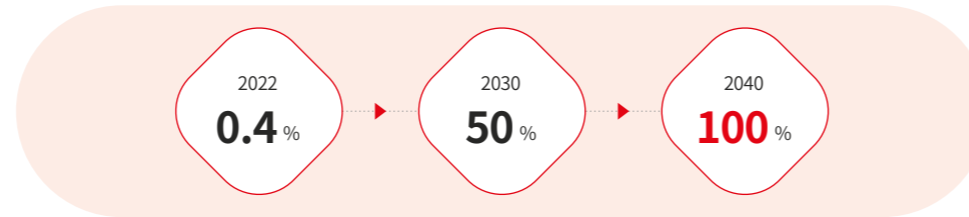
1) RE100: A voluntary initiative for companies to source 100% of their electricity from renewable sources such as wind and solar. A global campaign launched by the multinational nonprofit organization The Climate Group in partnership with the Carbon Disclosure Project (CDP).

EV100

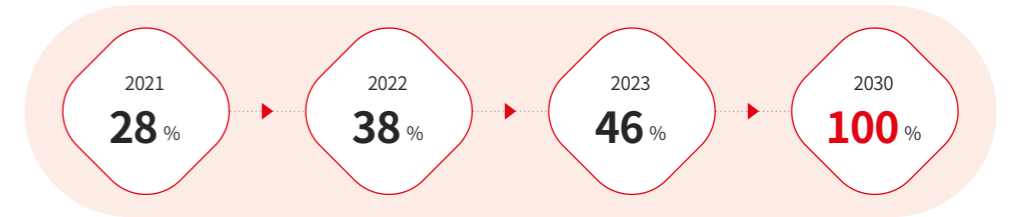
LOTTE WELLFOOD has been awarded the Minister of Environment Award for the highest number of zero-emission vehicle conversions in the commercial sector last year among 332 companies in Korea that have declared K-EV100 (Korea Zero Emission Vehicle Conversion 100).

Organized by the Ministry of Environment, K-EV100 is a campaign for private companies to publicly declare that they will convert their owned and leased vehicles to zero-emission vehicles, such as electric and hydrogen vehicles, by 2030 and implement them in stages. LOTTE WELLFOOD is leading in the transition to zero-emission vehicles by providing salespeople with electric cars for work and replacing delivery vehicles with eco-friendly electric vehicles. The company converted 478 cars to zero-emission vehicles in 2021 and 171 vehicles in 2022, and plans to invest KRW 6.6 billion in 2023 to convert 138 vehicles to zero-emission vehicles.

Renewable Energy Transition Plan



Performance and Plan for the Transition to Electric Vehicles



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Why Important?

Companies are in constant interaction with various stakeholders such as customers, partners, and public institutions in the local community. Therefore, it is important for companies to fulfill their social responsibilities and support local communities. Reflecting this, social contribution corporate activities are shifting from one-time support to permanent activities leveraging the company's resources to resolve social problems.

How we manage?

To fulfill its corporate social responsibility, LOTTE WELLFOOD conducts many social contribution activities within the food industry framework to contribute both directly and indirectly to help address both environmental and social issues. Often, our social contribution activities include donations and other types of collaborations with the local communities.

What are results?



7.26 million persons

Cumulative number of beneficiaries of Sweet Dream



8.9 billion KRW

Social contribution expense in 2022

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Leveraging the characteristics of our industry to address social issues

Leveraging the characteristics of our industry to address social issues, LOTTE WELLFOOD is taking the lead in solving social issues by utilizing the characteristics of its business, such as its infrastructure and stakeholder network, as a comprehensive food manufacturer. To address health issues in society, LOTTE WELLFOOD is improving the nutritional content of its products and enhancing food safety and nutrition by strengthening product quality. We are also approaching environmental issues by launching foods produced in a way that reduces environmental impact, and we continue to collaborate in various ways to contribute to the balanced development of local communities and the creation of economic value.

Building a win-win model with local communities

Recognizing the global food imbalance and domestic food security threats, LOTTE WELLFOOD aims to support local economic growth by contributing to revitalizing local agricultural products. To this end, we aim to address the weakening of local economies and declining self-sufficiency of farmers and strengthen food security through local coexistence and sustainable agriculture. In 2022, we continued to launch local win-win products as part of our efforts to revitalize local agricultural products. In December 2022, we launched “Samgeori Steamed Bun” in collaboration with “Seulji Bakery” widely known as a steamed bun specialty store in Buan, Jeollabuk-do. In October 2021, we launched “Pepero” using Jeju tangerines as part of our agricultural products coexistence project. In May 2023, we signed an MOU with Haenam-gun in Jeollanam-do to launch “Pepero” using Haenam green tea ingredients. LOTTE WELLFOOD will continue to contribute to revitalizing the local economy by expanding new local food menus using local agricultural products. We aim to support the development of local economies and the sustainable development of farmers and address food security issues and the domestic agricultural sector. In addition, LOTTE WELLFOOD contributes KRW 100 million to the rural coexistence fund every year through the Public Small Business Farming and Fishing Cooperation Foundation and the Rural Coexistence Fund Management Center. Recognizing these comprehensive community coexistence efforts and achievements, the company was selected as a 2022 Rural ESG Practitioner. We will continue to support the sustainable development of local economies and farmers through win-win cooperation with local communities, including rural areas.



Eco-friendly food tech business activities to address social issues

LOTTE WELLFOOD aims to be socially responsible and participate in solving health and environmental issues. In response to social needs related to the growth of the vegan and alternative meat market, we are contributing to issues such as animal welfare, solving food shortages, and responding to climate change by manufacturing plant-based alternative meats.



LOTTE WELLFOOD is introducing a plant-based alternative meat brand, ‘Zero Meat’, to pioneer the vegan and alternative meat market, and is developing technologies to achieve meat-like taste and texture from plant-based ingredients using food-tech(Food+Technology). Using plant-based proteins, Zero Meat products provide a healthy and delicious alternative to meat, reducing resource consumption and promoting sustainable eating. Furthermore, we are focusing on researching new vegan technologies through the newly established H&W Division within LOTTE R&D Center, the R&D organization of LOTTE Group. By doing so, we will participate in solving social issues, drive the growth of the vegan market, and fulfill our social responsibility for health and the environment.

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Solving social problems using the characteristics of the industry

Xylitol Product Social Problem Solving Activity

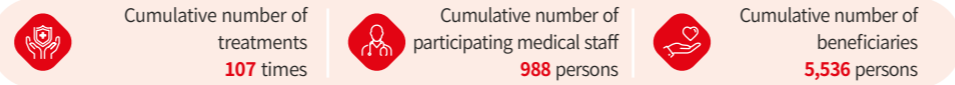
Korea with Healthy Teeth

Since 2013, LOTTE WELLFOOD has signed an agreement with the Korean Dental Association for the ‘Korea with Healthy Teeth’ campaign to promote a healthy oral health culture. In particular, in 2022, to encourage consumers’ oral health under masks during the ongoing COVID-19 pandemic, LOTTE WELLFOOD will continue to provide oral disease prevention treatments, oral care education, and other collaborative activities to improve public oral health in conjunction with Xylitol products, which are known to be effective in resolving the phenomenon of increasing the number of bacteria in the mouth due to reduced salivation from wearing masks for a long time.

In December 2022, LOTTE WELLFOOD also signed a business agreement with the Seoul Metropolitan Office of Education, the Korean Dental Hygienists Association, and the Cavity Prevention Research to improve the oral health of infants. We will select a few kindergartens in Seoul as pilot sites for tooth decay prevention. Xylitol can be provided at lunch, and experts such as dental hygienists will visit to provide systematic and professional oral health education.

Dr. Xylitol Bus is coming

As part of the ‘Korea with Healthy Teeth’ project, we are implementing the ‘Dr. Xylitol Bus’, a mobile free dental care service with the Korean Dental Association. We visit people in the blind spot of dental care, such as the elderly living alone and people with disabilities, once a month. In 2022, Dr. Xylitol Bus visited 18 areas, including Goseong-gun, Gangwon-do, and Bukmyeon, Ulsan-gun, Gyeongsangbuk-do (forest fire-affected area).



Chewing Anti-Drowsiness Gum Campaign

According to the Korea Expressway Corporation, 69% of traffic fatalities in Korea between 2018 and 2020 were caused by drowsy driving. To prevent this, the Anti-Drowsy Gum Campaign has been running since 2013 in collaboration with LOTTE WELLFOOD and the Korea Expressway Corporation. The campaign aims to educate consumers and drivers about preventing drowsy driving. In 2022, six service areas across the country provided information on traffic safety to returning travelers during the Chuseok holiday, along with chewing gum products, including drowsiness bubble gum.



Pasteur Products Social Action

With Mom Maternity Makeover Campaign

As a program to create a social atmosphere where pregnant women are respected, the Pregnant Women’s Makeover Campaign, which has been held since 2020 in celebration of National Pregnancy Day on October 10, is an event where pregnant women who are about to give birth receive makeovers and are photographed by professional photographers.

Maternity Classed for Mothers-to-be

This program invites experts to run prenatal concerts and parenting lectures to support mothers’ emotional stability and provide information. Due to COVID-19, the program was held on LOTTE WELLFOOD’s separate YouTube channel, switched to face-to-face meeting since 2022.



Campaign to activate the fingerprint pre-registration system at Jongno Police Station in Seoul

In collaboration with the Jongno Police Station in Seoul, we inserted labels and QR codes on three packages of Pasteur milk (900 ml) (regular, low-fat, and lactobacillus acidophilus) with information on the pre-registration system to prevent and prepare for the missing of children, people with intellectual disabilities, and people with dementia, including fingerprints, photos, and contact information of their guardians.



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Social Value Contribution Activities

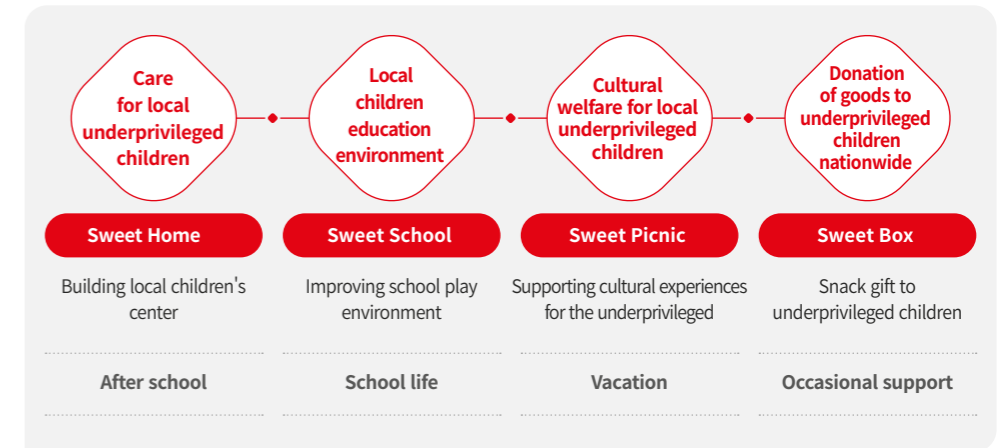
Social Contribution Vision

LOTTE WELLFOOD conducts various social contribution activities under the slogan ‘Delicious Sharing, Warm World’. LOTTE WELLFOOD delivers a warm hand of hope to children facing difficulties, such as underprivileged, single parents, multicultural, and disabled, through meaningful CSR activities with sincerity and continuity rather than one-time/short-term events.

CONCEPT SLOGAN
Creating a warm-hearted world by sharing delicious food with neighbors



Social Contribution Program: Sweet Dream



Sweet Home

In partnership with Save the Children, an international NGO, LOTTE WELLFOOD has been building one Sweet Home for children in rural areas every year since 2013 using proceeds from the sale of Pepero. The 10th Sweet Home, built in November 2022 in Yeongwol-gun, Gangwon-do, was named “Sansol Regional Children’s Center” and serves as a warm home for children and adolescents as a place for rest, play, learning, and counseling. From 2023, it will be operated under the new name ‘Happy Home’ to reflect LOTTE WELLFOOD’s brand identity.

Sweet School

This project is to build playgrounds in idle spaces in elementary schools, which was implemented in 2020 through an agreement with Save the Children, and the third location was completed in October 2022 at Jinsung Elementary School in Jinju City.

Sweet Picnic

This cultural experience program for Sweet Home’s children supports field trips to LOTTE Group companies.

Sweet Box

This is LOTTE WELLFOOD’s product donation program implemented in 2013. We share our warm hearts with local children, people with disabilities, the elderly, soldiers in the armed forces, COVID-19 patients, and medical staff.

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Social Value Contribution Activities

Uisung Garlic Ham Family Camp

The ‘Uisung Garlic Ham Family Camp’ has been jointly organized by LOTTE WELLFOOD and Uisung County, Gyeongbuk Province, since 2010 to promote the excellence of Uisung garlic and help local farmers grow. The event is aimed at families and supports participants to experience harvesting garlic, participate in a cooking class program with experts, and experience rural and local attractions such as tours of major tourist attractions in Uisung-gun. In addition, scholarships are awarded to students from Uisung-gun, and we continue to promote Uisung-gun’s specialty products and support local farmers.



Army Headquarters Donation Activities / 1 Company 1 Barracks

In July 2021, LOTTE WELLFOOD signed a business agreement with the Army Headquarters to support Army maternity welfare to express our gratitude for the efforts of Army soldiers in fulfilling their duty of national defense. Through this agreement, LOTTE WELLFOOD provides various benefits such as Pasteur baby food to families of Army officers who are expecting a baby and applying for platinum membership benefits available at our online mall. We will continue to contribute to boosting the morale of Army soldiers and strengthening the national defense by providing milk powder products to families serving in overseas deployments and combat vigilance units, donating ice cream products to summer Army events such as military academies and school districts, supporting the operation of the Army Headquarters Youth Dream TFT, and providing meat products to families of outstanding cadres. In addition, through one-on-one twinning between military units and companies, we are strengthening civil-military ties, creating synergies between ‘security’ and ‘economy,’ and conducting exchange and cooperation activities.

Matching Grant Program (Remnants Collection)

Since 2016, LOTTE WELLFOOD has been running the “Love Sharing Endowment Campaign,” a matching grant program in which employees voluntarily collect KRW 1,000 or less per month from their paychecks and the company contributes additional funds of the same amount. The funds raised are being used to treat children with pediatric cancer, with a cumulative amount of KRW 100 million and 12 beneficiaries. In 2022, we plan to raise about KRW 20 million and continue our donation activities.



CharLOTTE Volunteer Group

LOTTE WELLFOOD’s in-house volunteer club, “CharLOTTE Volunteer Group,” comprised of 52 employees from LOTTE WELLFOOD’s headquarters and Yeongdeungpo factory, visits local neighbors such as facilities for the disabled and childcare centers every month to volunteer and donate. Even in 2022, when the aftermath of COVID-19 continued, the group visited 11 facilities 19 times, donated about KRW 6 million worth of our products and daily necessities, and will continue to practice neighborly love in 2023.



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Social Value Contribution Activities

Turn Towards Busan

Inspired by the fact that November 11, which commemorates UN veterans, is also known as Pepero Day, LOTTE WELLFOOD co-organized the UN veterans' memorial event 'Turn Toward Busan' through a business agreement with Busan Nam-gu Office and Busan Regional Veterans Affairs Office. Through this event, which aims to spread the meaning of peace through Pepero, we delivered Pepero packages and thank-you letters to 300 UN veterans from four countries worldwide, including Sweden and Canada. In addition, we are working to make November 11 a day of mutual appreciation by introducing UN Veterans Day to consumers by creating Pepero products with the introduction text of 'Turn to Forward Busan' so that they can share their hearts with more people.



2022 Turn Toward Busan Event



2022 Auckland Branch Event

Social Contribution Expense

(Unit: KRW)

Classification	Year		
	2020	2021	2022
Charitable contribution	5,710,069,490	6,005,990,885	7,692,910,306
Community investment	334,863,321	911,095,055	696,992,210
Commercial initiative	1,587,874,823	4,214,101,718	495,418,182
Total	7,632,807,634	11,131,187,658	8,885,320,698

* Based on separate financial statements (excluding January-June 2022 of former LOTTE FOOD)

Cumulative Number of Beneficiaries from Major Social Contribution Activities

(Unit: KRW)

Classification	Year		
	2021	2022	Cumulative (2010~)
Sweet Home	268	302	1,639
Sweet Picnic	-	-	208
Sweet School	1,423	1,581	4,054
Dr. Xylitol Bus	370	618	5,536
Sweet Box	723,000	645,880	6,418,040
Sweet Factory	-	-	419,363
Chewing Anti-Drowsiness Gum Campaign	23,100	28,800	406,396
Remnants collection	3	2	12
With Mom Maternity Makeover	3	3	6
Total	748,167	677,186	7,255,254

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Why Important?

Corporate requirements for safety and health have increased with the passing of the Act on the Punishment of Serious Accidents on January 27, 2022. As a result, the accountability by management for establishing a safety and health management system and complying with those obligations have been strengthened. With the total number of employees and business sites increasing due to the merger with LOTTE FOODS, and risk factors regarding ongoing plant relocations and consolidations need to be monitored. With increased complexity, it is necessary to advocate safety culture by raising employee awareness of safety, health and accident prevention measures. Similarly, global safety and health standards for our overseas operations is also required.

How we manage?

As a global leader in the food industry, LOTTE WELLFOOD has established a safety and health roadmap to ensure our vision is realized. This roadmap has 3 pillars: (1) establish a sustainable safety and health management system, (2) ensure a safe and health risk-free workplace, and (3) promote global safety and health by adhering to the eight priority risk and opportunity tasks set by ISO45001 (Safety and Health Management System). In addition, we are identifying and mitigating risks factors at various business sites utilizing cross-safety review of business sites and headquarters, participation and communication of employees and partners, and conducting disaster scenario analysis. At all business sites, we have education programs, safety campaigns, and safety culture monitoring. On a regular basis, Safety and Health Management Committee, Safety and Health Steering Committee, and Occupational Safety and Health Committee will review overall safety and health strategies, plans, and performance and will conduct continuous improvement reviews.

What are results?



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6. Safety as a Priority

Building a company-wide safety and health system

Safety and Health Management Vision

Under the vision of practicing leading safety and health management vision as a global leader in the food industry, LOTTE WELLFOOD has established a safety and health management vision and safety and health governance to create a safe working environment and protect the safety and health of workers.



Safety and Health Management System Certification

[Details](#)

In December 2021, LOTTE WELLFOOD became the first company in the confectionery industry to obtain ISO45001 certification for its headquarters and seven factories to systematize its safety and health management system. In February 2023, after the LOTTE FOODS merger, we renewed the certification at the consolidated entity level, including all factories of (former) LOTTE FOODS and its subsidiaries and the LOTTE R&D Center. As a result, all 5,560 employees working at our headquarters and factories and all non-affiliated workers are covered by the safety and health management system.

* Excludes 1,235 employees of LOTTE People Networks who work outside of ISO45001-covered sites.



Safety and Health Management Governance

LOTTE WELLFOOD designates the CEO as the company-wide head of safety and health management and strengthens the governance of safety and health management through the Emergency Safety Division, a dedicated organization for company-wide safety and health. In addition, we have established and operated the Safety and Health Management Committee, Safety and Health Steering Committee, and Occupational Safety and Health Committee for company-wide and systematic consultation on safety and health and have assigned safety managers to all business sites. In the future, we will support the acquisition of relevant certifications further to strengthen the professional capabilities of safety and health personnel. We will conduct technical discussions and issue exploration through regular workshops. In addition, we will establish a safety and health team within the production headquarters to strengthen the organization dedicated to employee health and nursing.



LOTTE WELLFOOD has adopted the Emergency Preparedness and Response Regulations, which specify that all workers have the right to stop work in the event of a hazardous situation, and we comply with its standards and procedures. Workers may stop work and evacuate if there is an imminent risk of an industrial accident. If there is a reasonable reason for doing so, employers must not dismiss or disadvantage workers who follow the instructions to stop work. The Accident Handling and Disaster Investigation Regulations also stipulate procedures for first aid, reporting, accident investigation, and proposing risk management measures in the event of an accident. This regulation requires us to identify an accident's environment, cause, and intensity based on the Six Sigma Principle when investigating an accident. It stipulates procedures for proposing risk management measures to prevent future accidents, such as identifying risk factors similar to the accident and supplementing safe work procedures.

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Safety and Health Activity

Employee Health Promotion Programs

LOTTE WELLFOOD strives to ensure its employees are healthy and happy working in an environment where safety and health are guaranteed. In addition to preventing accidents in the work environment, we operate various health promotion programs that can help employees improve their health even if they are not directly related to their jobs.

Classification	Details
Safety audit	<ul style="list-style-type: none"> Investigation of work environment risk factors and improvement activities Prevention of musculoskeletal hazards and regular safety training
Health checkup	<ul style="list-style-type: none"> Health checkup support for all employees
Group insurance	<ul style="list-style-type: none"> Group insurance support for all employees
Psychological counseling	<ul style="list-style-type: none"> Expert counseling support (for employees, spouses, and children)

MOU with the Ministry of Employment and Labor

In April 2023, LOTTE WELLFOOD signed a business agreement with the Seoul Metropolitan Employment and Labor Office to promote a safety-conscious culture in the daily lives of employees and consumers. We will continue to take the lead in encouraging consumers to join the safety campaign in their daily lives by embedding safety messages on products and delivery vehicles.



Implementing health and safety training

LOTTE WELLFOOD conducts safety and health education for its workers. Regular safety and health training are held quarterly for all employees, including the dissemination of accident cases to prevent disasters, and special safety and health training on the implementation of high-risk work is held at all times for facility safety personnel at each factory with high-risk exposure during work. In addition, we conduct risk assessment training for ISO45001 key managers and supervisor training for safety management officers in each department and all factory personnel to raise employees' safety and health awareness.

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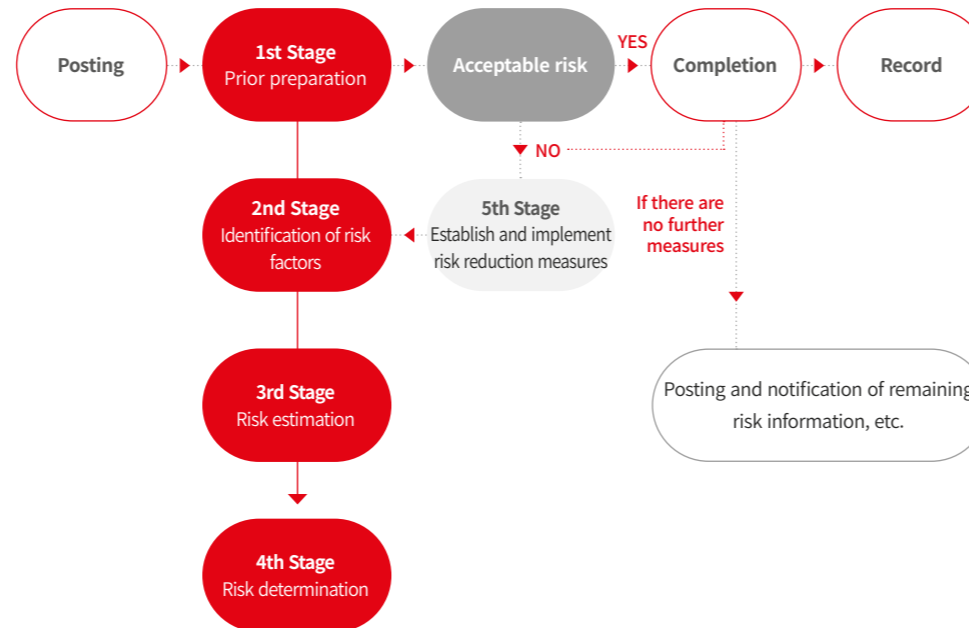
6. Safety as a Priority

Safety and Health Activity

Safety and Health Inspection Activities

LOTTE WELLFOOD conducts annual safety and health inspections under the leadership of the Emergency Safety Department to identify hazards in the working environment at all of its sites and implement improvement measures. In 2022, inspections were conducted at domestic worksites and major overseas subsidiaries located in Kazakhstan, India, and Pakistan. A total of 1,519 risk factors were identified, and 97% of them were improved within the year. We also conduct company-wide risk assessments once a year, and all employees are asked to identify potential risk factors in their working environment and eliminate and improve them. In this way, we will build a safe and healthy workplace by raising awareness of safety and health management among the organization's members and voluntarily participating in creating a safe working environment.

Risk Assessment Process



Safety and Health Inspection Results in 2022

Classification	Inspection and improvement progress			Remarks
	Risk factors	Improved	Improvement rate	
Domestic sites	Head Office	44 cases	44 cases	100%
	Production Div.	780 cases	775 cases	99%
	Sales Div.	509 cases	504 cases	99%
	Logistics Center	85 cases	79 cases	93%
	R&D Institute	6 cases	2 cases	33%
Subtotal	1,424 cases	1,404 cases	99%	
Overseas sites	Kazakhstan	30 cases	19 cases	63%
	India	33 cases	29 cases	88%
	Pakistan	32 cases	26 cases	81%
	Subtotal	95 cases	74 cases	78%
Total	1,519 cases	1,478 cases	97%	

Risk Factor Improvement Case

Classification	Before improvement	After improvement
Changes in work methods	Risk of accidents such as unsafe posture and falling during manual input of materials	Prevention of musculoskeletal disorders and falls accidents and improvement of work efficiency by installing an automatic material feeder
Installation of safety device	Risk of entanglement accidents due to exposure of rotating equipment that operates even when the safety cover is opened	Installation of three-sided safety cover and interlock safety device that automatically stops the equipment when a worker's hand approaches

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The Direction of Safety and Health Activities

LOTTE WELLFOOD implemented key priorities and detailed implementation tasks by its safety and health vision and strategy. We intensively prevented and managed the risk of major accidents by researching musculoskeletal disease hazards and consulting with specialized organizations. We strengthened safety inspection and safety and health management responsibilities at domestic and overseas workplaces. In addition, based on the five-year safety and health roadmap, we will continue to operate key priorities and implement detailed implementation tasks in stages from 2023 to 2027.

Vision	8 key tasks	Detailed implementation task
Securing a sustainable safety and health management system	1 Strengthening the professional capacity of the safety management organization	<ul style="list-style-type: none"> Reinforcing safety management organization's capabilities through support for professional training and obtaining licenses Exploring issues through regular workshops and technical discussions on company-wide safety and health
	2 Maintaining and expanding ISO 45001 certification	<ul style="list-style-type: none"> Pilot application and expansion of ISO 45001 certification to major overseas business sites (2024-2027)
	3 Rule & Process security and reinforcement	<ul style="list-style-type: none"> Mandatory reflection of safety devices by developing safety and health-specific specifications for major facilities and equipment in factories
Establishing safety and health risk-free workplace	4 Accident-free factory relocation project	<ul style="list-style-type: none"> Operating safety monitoring group during construction period Mandatory completion of safety training for construction workers
	5 Establishing and disseminating field-oriented safety culture	<ul style="list-style-type: none"> Designation of safety inspection day
	6 Advancing risk assessment and strengthening effectiveness	<ul style="list-style-type: none"> Operating near-miss accident reporting system Cultivating risk assessment experts
Advancing safety and health to a global level	7 Building a regular safety management inspection system	<ul style="list-style-type: none"> Conducting regular checks on safety and health compliance
	8 Strengthening safety and health management for overseas business sites and partners	<ul style="list-style-type: none"> Promoting training and on-site guidance in Korea for keyman at overseas sites Conducting risk assessment for overseas business sites Annual safety and health leadership training for partners

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Environmental

Environmental Management

LOTTE WELLFOOD aims to expand environmental management from a mere task to a management strategy. To this end, we are establishing a culture of environmental management within the organization and making all employees aware of their responsibilities and roles in the environment. In addition, we strictly comply with laws and regulations and establish a system to prevent environmental pollution. We are also investing in researching and developing environmental products and services and aim to develop eco-friendly products to compete in the market. In addition, we aim to provide trust and value by establishing an environmental management system recognized at home and abroad, such as obtaining environmental certifications. To this end, we established the Environmental Management Charter in June 2022. We disseminated it throughout the organization, setting management policies and goals to pursue sustainable management and respond to environmental issues. Through education and communication, LOTTE WELLFOOD raises the environmental awareness of its employees, promotes continuous improvement and innovation, and emphasizes the importance of environmental management.

Due to the LOTTE FOODS Merger, LOTTE WELLFOOD's 2022 environmental management data in this report is calculated by including the January-December results for both the Merged Entity and the Demerged Entity's business sites. In addition, the annual product production for 2022 to calculate environmental management-related per unit data¹⁾ is 571,197 tons, which differs from the production results of 387,509 tons in the 2022 Business Report, which excludes the January-June production of the Demerged Entity due to the LOTTE FOODS Merger on July 1.

1) Scope of data on environmental management: LOTTE WELLFOOD Headquarters, Gwangmyeong Logistics Center, 13 factories, (excluding domestic subsidiary LOTTE Fresh Delica No. 1~4)

Environmental Management System

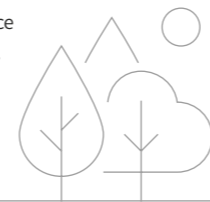
LOTTE WELLFOOD has internalized an environmental management culture and established an environmental management charter that outlines its direction and efforts to preserve a sustainable environment. In addition, it was the first company in the confectionery industry to obtain ISO 14001 certification at seven plants in 2004 and has maintained it at 12 since the merger.



Environmental Management Charter

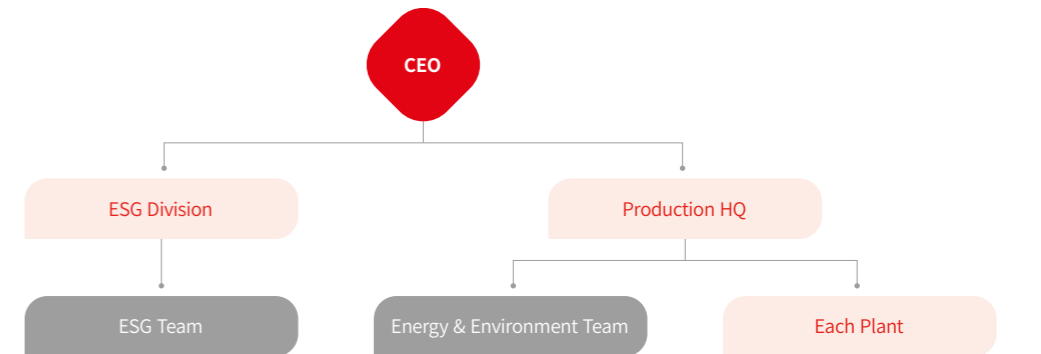
- Complying with environmental regulations and managing beyond legal standards
- Minimize greenhouse gas emissions and environmental pollution
- Promote resource conservation and recycling
- Participating in international efforts to realize a carbon-neutral society
- Efforts to reduce negative impacts on biodiversity
- Regular and transparent disclosure of environmental management performance
- Promote the adoption of environmental management systems by our partners

Details



Environmental Management Organization System

LOTTE WELLFOOD has the CEO as the general manager with decision-making authority for environmental management and has the ESG Team in the ESG Division and the Energy & Environment Team in the Production Division as practical operating organizations. The ESG Team establishes environmental and carbon neutrality implementation strategies with sustainability management, conducts internal and external communication, and makes decisions on important issues through the ESG Committee and ESG Council. In addition, the Energy & Environment Team manages each business site's environmental management status and data and manages greenhouse gas emission credits.



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Environmental Management

Environmental Management Certification

Classification	Unit	Year		
		2020	2021	2022
Number of workplaces certified for ISO 14001	Sites	7	7	12
Total number of business sites	Sites	7	7	13
Percentage of workplaces certified for ISO 14001	%	100	100	92

Eco-friendly Product certification and Other certifications

Classification	Unit	Year		
		2020	2021	2022
Eco-labeled products	Items	0	0	1
Low-carbon products	Items	0	0	0
Products with green certification	Items	10	44	48

Violation of Environmental Laws

Classification	Unit	Year		
		2020	2021	2022
Violation	Cases	1	0	1
Penalty	KRW in millions	0	0	0

Environmental Management Awareness Raising Activities

In 2022, LOTTE WELLFOOD provided ESG training to 171 employees at its headquarters and Yeongdeungpo factory, introducing them to sustainable management's overall concept and strategy, including environmental management. In addition, to raise ESG awareness among employees, including environmental protection, the company collects disposable paper cups in the OA zone of the headquarters workplace, provides multi-use cups, and encourages the use of tumblers.



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Greenhouse Gases

Greenhouse Gas Emissions Management

LOTTE WELLFOOD manages GHG emissions at each business site and aims to achieve carbon neutrality by reducing direct and indirect GHG emissions (Scope 1 & 2) by 2040. In the medium to long term, we plan to calculate GHG emissions in the supply chain (Scope 3) and set reduction targets to pursue carbon neutrality throughout the value chain. In 2022, LOTTE WELLFOOD made energy-saving investments, such as replacing and overhauling aging facilities and changing its formulation process, which reduced carbon dioxide emissions by approximately 262 tons.

Greenhouse Gas Emissions

Classification	Unit	Year		
		2020	2021	2022
Production of products	ton	197,474	201,279	571,197
Scope 1 (direct emission)	Emission tCO ₂ -eq	34,264	33,488	63,864
Scope 2 (indirect emission)	Emission tCO ₂ -eq	88,459	90,802	152,088
Total emissions (Scope 1+2)	Emission tCO ₂ -eq	122,723	124,290	216,952
Total emissions (Scope 1+2)	Intensity tCO ₂ -eq/product ton	0.62	0.62	0.38

* Scope 1 & 2 emissions were rounded down to integer units.

Energy Saving Activities

Classification	Improvement
Cheonan Plant	• Replacing old boilers and recycling heavy water
Cheongju Plant	• Increases in unit weight of processed meat products, sterilizer efficiency, and hot water efficiency for cleaning • Heating facility temperature adjustment, vacuum pump replacement, refrigeration line mixing process change
Pyeongtaek Plant	• Automatic water level control in washing machine
Hoengseong Plant	• Installation of ice builder inverter

Energy

Managing Energy Use

LOTTE WELLFOOD has set a goal of replacing 50% of its electricity use with renewable energy by 2030 and 100% by 2040 (RE100). Eight factories are currently using renewable energy through solar self-generation to fulfill this plan. As of 2022, the proportion of electricity used from renewable energy is approximately 0.4%, and we plan to gradually expand this by expanding the number of factories with solar power generation facilities and further reviewing measures to supply electricity from renewable energy.

Energy Use

Classification	Unit	Year			
		2020	2021	2022	
Energy use	Electricity	MWh	186,203	193,147	314,572
	Gasoline	KL	280	226	133
	Diesel	KL	3,228	3,104	2,995
	City gas (LNG / CNG)	1000Nm ³	10,509	10,622	13,855
	Steam	TJ	162	161	125
	Propane	ton	563	509	616
	Total	TOE	57,266	58,753	89,844
		TJ	2,496	2,551	4,379
	Intensity	TJ / product ton	0.013	0.013	0.008
	Renewable energy use	Solar power	kWh	-	-

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Water Resources

Water Resource Management

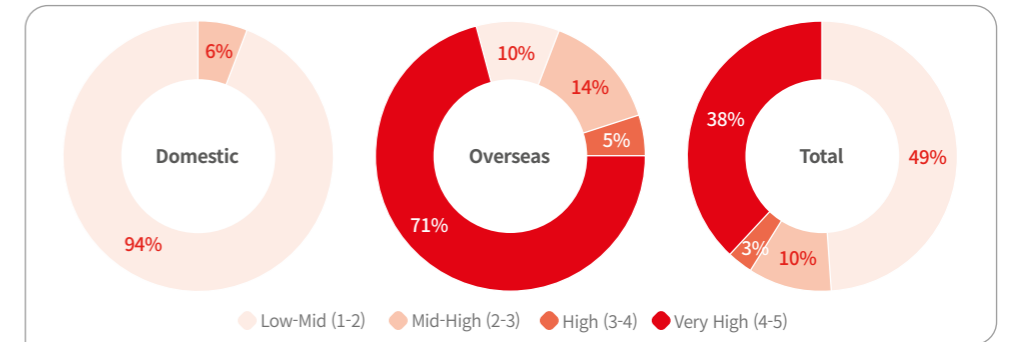
LOTTE WELLFOOD manages water use per-unit basis and reduces water use by improving plant facilities and reusing cooling water. We also monitor water stress at our domestic and overseas plants to manage the impact of water use. LOTTE WELLFOOD plans to continue to manage the increase in water use resulting from the merger by calculating the water use of all its operations and establishing water targets and reduction plans for the combined entity.

Water Use

Classification	Unit	Year		
		2020	2021	2022
Water use	Total	2,221,804	1,631,686	3,844,489
	Intensity	11.25	7.9	6.73
Water reuse	Total water reuse	-	-	56,751
	Water recycling rate	-	-	1.48

Monitoring water stress

LOTTE WELLFOOD uses the World Resources Institute's (WRI) Water Risk Map to understand the water sensitivity of its domestic and overseas operations. Except for the Busan plant, all domestic sites are located in areas with low to medium water sensitivity. 76% of our overseas operations are in Pakistan, China, India, and Myanmar, areas of high or very high water sensitivity. LOTTE WELLFOOD continuously monitors water stress in each region and works to prevent potential risks.



Water Stress²⁾

Classification	Overseas								Total ³⁾
	Korea ¹⁾	Belgium	Kazakhstan	Russia	Pakistan	China	India	Myanmar	
Low-Mid (1-2)	17	1	1						19
Mid-High (2-3)	1		2	1					4
High (3-4)					1				1
Very High (4-5)					5	1	6	3	15
Total	18	1	3	1	6	1	6	3	39

1) Including the head office, 13 plants, and 4 plants of a subsidiary LOTTE Fresh Delica
 2) Water Stress = (Fresh water intake) / (Total water resources - Environmental water) %
 3) As of April 2023

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Contaminants

Pollutant Management

LOTTE WELLFOOD applies emission standards that exceed legal standards to keep air and water pollutant emissions below thresholds and regularly manages the total emissions. We plan to take measures to minimize the environmental impact of pollutant emissions.

Air Pollutant Management

LOTTE WELLFOOD operates air pollutant management facilities such as filtration dust collectors and combustion dust collectors at each factory to minimize the risk of air pollution.

Air Pollutant Emissions

Classification	Unit	Year			
		2020	2021	2022	
Chemical emissions*	ton	39.715	0	0.022	
Air pollutant emissions	Dust	ton	0.362	0.726	2.929
	SOx	10 ^{^3} tonnes	0.014	0.396	0.311
	NOx	10 ^{^3} tonnes SOx eq	10.314	44.244	23.204
	Total	10 ^{^3} tonnes SOx eq	10.689	45.367	26.444

* Data was corrected compared to the previous year's report due to verification and recalculation of chemical emissions in 2021.

Water Pollutant Management

All LOTTE WELLFOOD factories conduct periodic water quality analyses by an authorized external measurement agency and thoroughly manage to reduce water pollutants according to the analysis results.

Water Pollutant Emissions

Classification	Unit	Year		
		2020	2021	2022
Biochemical Oxygen Demand (BOD)	ton	4.846	15.061	35.861
Chemical Oxygen Demand (COD)	ton	20.186	26.511	65.169
Suspended Solids (Ss)	ton	12.814	33.157	28.685
Total Nitrogen (T-N)	ton	3.711	17.086	42.000
Total Phosphorus (T-P)	ton	0.995	2.341	8.786
Total	ton	42.553	104.286	180.501

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Raw Material

Raw Material Management

To build a sustainable supply chain, LOTTE WELLFOOD actively participates in sustainable raw material production initiatives and continues to increase the proportion of its purchases from certified products. The Roundtable on Sustainable Palm Oil (RSPO), which LOTTE WELLFOOD focuses on, is a global initiative to promote sustainability in the palm oil industry. LOTTE WELLFOOD defines its green purchasing performance as the amount of raw materials and ingredients certified as eco-friendly and sustainable. As a result, the proportion of green purchases to total purchases in 2022 is 1.3%. LOTTE WELLFOOD also purchases certified raw materials such as RA, FSC, and Fair Trade and strives to improve supply chain sustainability by continuously expanding the amount of sustainable raw materials purchased.

Sustainable Raw Material Procurement

Classification	Unit	Year	
		2022	
Procurement of raw materials (amount)	Gum base	KRW in millions	4,574
	Processed raw materials	KRW in millions	39,803
	Nuts and beans	KRW in millions	47,032
	Grains	KRW in millions	19,262
	Agricultural products	KRW in millions	50,610
	Group meals	KRW in millions	14,925
	Wholesale and retail	KRW in millions	84,507
	Composite	KRW in millions	25,198
	Bread, confectionery and rice cakes	KRW in millions	22,554
	Sugar	KRW in millions	27,465
	Wheat flour	KRW in millions	29,662
	Fisheries	KRW in millions	17,176
	Fisheries and livestock products	KRW in millions	11,517
	Raw milk	KRW in millions	136,210
	Oil	KRW in millions	87,288

Classification	Unit	Year	
		2022	
Procurement of raw materials (amount)	Dairy products	KRW in millions	89,222
	Fats	KRW in millions	40,616
	Toll processing	KRW in millions	5,509
	Starch sugar	KRW in millions	15,875
	Seasoned food	KRW in millions	8,211
	Vegetables and fruits	KRW in millions	7,176
	Additive	KRW in millions	37,817
	Additives	KRW in millions	33,814
	Livestock products	KRW in millions	157,791
	Coffee	KRW in millions	24,237
Procurement of raw materials (weight)	Spices	KRW in millions	15,072
	Total	KRW in millions	1,353,126
	Green coffee beans	ton	357
Procurement of raw materials (weight)	Vanilla bean	ton	2
	Total	ton	359

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Raw Materials

Raw Material Consumption

Classification	Unit	Year		
		2020	2021	2022
Raw material consumption	ton	118,224	120,757	433,907

Eco-friendly Procurement

Classification	Unit	Year		
		2020	2021	2022
Purchase of eco-friendly products	KRW in millions	1,336	5,910	21,250
Total purchase	KRW in millions	565,122	600,026	1,591,375
Green purchase / purchase from suppliers	%	0.2	1	1.3

Packaging Materials

LOTTE WELLFOOD manages packaging materials by utilizing waste recycling, and certified packaging materials such as FSC and green certification, to contribute to environmental protection.

Packaging Material Consumption

Classification	Unit	Year			
		2020	2021	2022	
Packaging material consumption (based on waste recycling contribution)	Total packaging material usage	ton	9,286	9,734	23,456
	Plastic (synthetic resin)	ton	9,281	9,729	18,376
	Steel can	ton	-	-	3,918
	Glass bottle	ton	5	5	123
	Paper pack	ton	-	-	1,039

Waste

Waste Management

LOTTE WELLFOOD's 13 factories generate various types of waste. Proper disposal is important to prevent risks such as environmental pollution and damage to local residents. LOTTE WELLFOOD minimizes its environmental impact by disposing of waste, including food, by Article 8 of the Enforcement Rules of the Waste Management Act and our waste disposal guidelines. Designated waste managers at each plant monitor waste and are collectively aggregated and managed by the Energy and Environment Division. Waste is collected, transported, stored, consigned, and disposed of. Food waste is recycled through specialized contractors and utilized as fertilizer raw materials or biofuels. As of 2022, the recycling rate of waste is 76%.

Waste Generated and Recycled

Classification	Unit	Year			
		2020	2021	2022	
Designated waste	Subtotal	ton	101	78	130
General waste	Subtotal	ton	16,322	17,361	39,155
Construction waste	Subtotal	ton	-	463	-
Total (general+designated+construction)		ton	16,423	17,902	39,285
Waste recycled		ton	12,279	15,309	29,916
Recycling rate		%	75	86	76
Waste intensity (general+designated+construction)		ton / product ton	0.08	0.09	0.07

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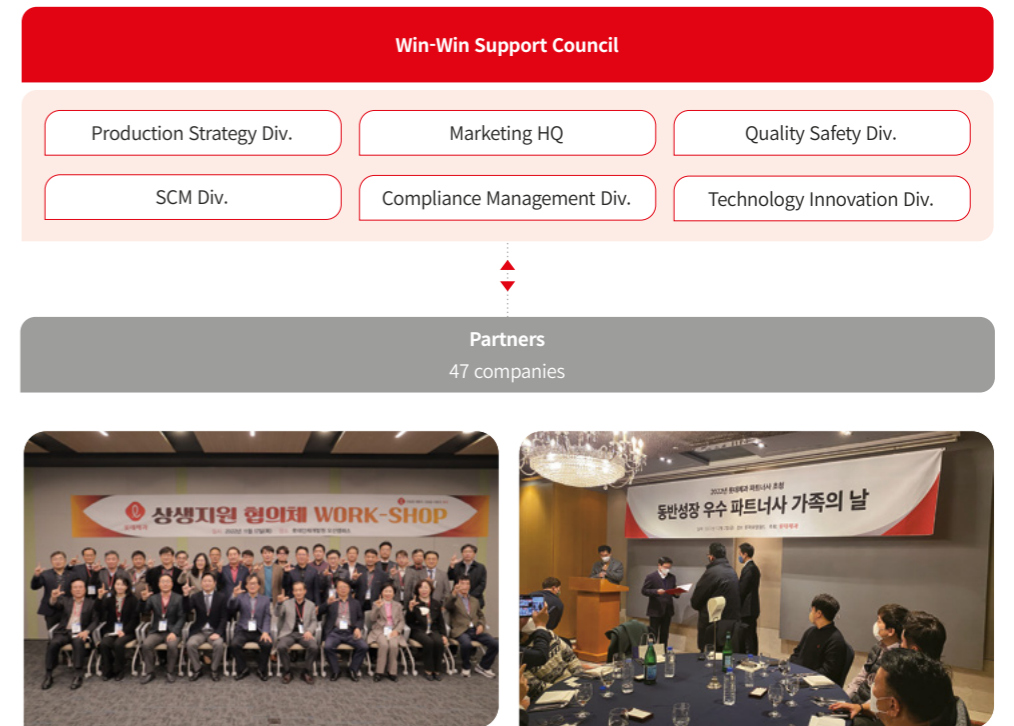
Shared Growth

Shared Growth System

Our partners' growth and cooperative relationship with us is an important element of LOTTE WELLFOOD's sustainable management. To strengthen our partners' market competitiveness and create a virtuous cycle of win-win, LOTTE WELLFOOD operates programs to support our partners' shared growth in various areas such as technology, education, funding, manpower, and welfare, and we are continuously identifying new support measures. In February 2022, LOTTE WELLFOOD established the Partners' Win-Win Support Council to discuss improvements and win-win support measures in the collaboration between LOTTE WELLFOOD and its partners. The council comprises 47 major partners selected based on the size and frequency of their transactions with LOTTE WELLFOOD and heads of related departments within the company, such as SCM, Marketing, and Compliance. The council is operated as a window for LOTTE WELLFOOD and its partners to share information and facilitate communication-related to shared growth. The Win-Win Support Division is in charge of receiving agenda items and operating the council.

At the twice-yearly Win-Win Support Council workshops, representatives of our partners share their progress and major issues with share their concerns. In addition, at the 'Family Day for Partners with Excellent Shared Growth' held at the end of each year, we invited more than 60 employees and family members of our partners in 2022 to deliver certificates of appreciation for their hard work throughout the year and strengthen our partnership.

As a result of these efforts, LOTTE WELLFOOD has maintained an excellent rating for three consecutive years, from 2020 to 2022, in the Shared Growth Index assessment conducted by the Council for Sustainable Development. To participate in the assessment in 2023, we signed a fair trade agreement with the CSR Council in January, and we are implementing the following activities to achieve even better results in promoting shared growth.



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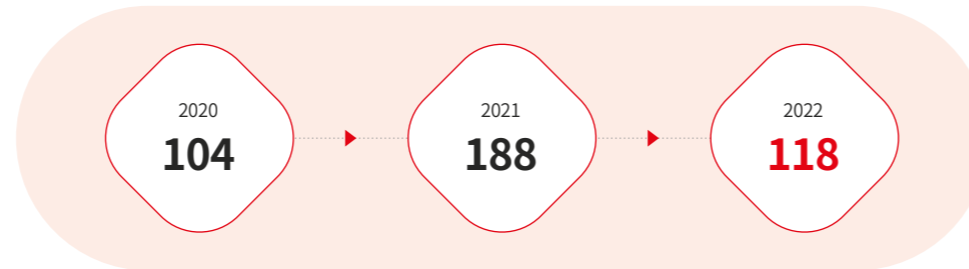
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Shared Growth

Food Safety Consulting

In 2022, LOTTE WELLFOOD conducted 118 food safety consulting sessions for 35 partners in confectionery, ice-cream, meat processing, dairy processing, and auxiliary materials. Through these sessions, we monitored the hygienic production sites of our partners, and provided additional hygiene diagnostics and consulting for those partners who found improvement needs so that improvement measures could be taken.

Number of Supports



Financial support

LOTTE WELLFOOD has operated a low-interest loan program for its SME partners since 2010 through a shared growth fund with IBK. As of the end of 2022, the fund was worth KRW 48 billion, and we are taking the lead in solving the financial difficulties of our partners.

Industrial Innovation Movement (Technical Support)

LOTTE WELLFOOD has participated in the Industrial Innovation Movement, a program to support SMEs organized by the Korea Chamber of Commerce and Industry and the Korea Foundation for Corporation of Large & Small Business, Rural Affairs, since 2013. In 2022, we contributed KRW 100 million in funding for the Industrial Innovation Movement. The total number of partners supported by the Industrial Innovation Movement is currently 29, and we have provided about KRW 920 million worth of technology investment support for productivity improvement, quality improvement, and improvement of aging facilities.

Partner	Support	Improvement
I Company	Improvement of prerequisite management standards for HACCP certification	91.7% reduction in the number of quality nonconformities (24 cases → 2 cases)
D Company	Automation of the mixing process by installing a homogeneous mixer	60% increase in productivity per hour (2 Batch / Hr → 3.2 Batch / Hr)

Classification	Unit	Year			
		2020	2021	2022	
Support for partners	Financial support	KRW in millions	27,000	27,000	48,000
	Technical support	Cases	26	29	29
Purchase	All partners	KRW in millions	565,122	600,026	1,591,375
	SMEs	KRW in millions	147,920	157,101	597,024
	Social economy enterprise	KRW in millions	0	0	0

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Strengthening Partners' Competency

Training for Partners

LOTTE Safety Academy (LSA)

LOTTE WELLFOOD conducts the LOTTE Safety Academy (LSA), a win-win training program to help small and medium-sized partners manage food safety through the Food Safety Center at LOTTE R&D Center, the R&D center of LOTTE Group. In 2022, the LSA was held with a curriculum that can be used immediately in practice, covering topics such as food safety issues and regulations, HACCP, understanding the Food Code, Act on Labeling and Advertising of Foods, and global food safety trends. Also, for the first time in a food company, the LSA was held free of charge for food manufacturing and processing companies, regardless of whether they were LOTTE partners. As a result, not only 271 of quality and safety representatives from LOTTE WELLFOOD's 186 partners completed the training, but also 55 representatives from 43 unaffiliated companies that do not work with LOTTE. In the future, we plan to increase the number of unaffiliated companies participating in the LSA, expand the training topics, and take the lead in developing a food safety culture and reducing the burden on small and medium-sized enterprises. The LSA, held annually for 14 years since 2010, has been held 40 times and has accumulated about 3,000 students. Applications for the 2023 LSA will be accepted through the LOTTE Central Research Center and the Win-Win website, regardless of whether or not the organization collaborates with LOTTE Group companies.

Applying for LSA

Quality Workshop Training

LOTTE WELLFOOD conducts quality workshop training for its partners in the fourth quarter of each year. In the case of the 2022 Quality Workshop, the topics included laws and policies according to government trends, information exchange on quality innovation to reduce hygiene issues, and understanding the use-by-date labeling system, and a total of 33 companies participated online.

Shared Growth Academy

LOTTE WELLFOOD operates the Shared Growth Academy online throughout the year to develop the human resources of its partners' employees. In 2022, we provided training opportunities for 46 partners in various fields, such as foreign languages, finance, IT, reading, and leadership, and a total of 186 partner employees participated in the training.



LSA Poster



Online LSA



Quality Workshop Training



Shared Growth Academy

Support Partners Managing Food Safety

Food Safety Management System (FSM)

The Food Safety Management System (FSM) is Korea's first integrated food safety management system developed by the Food Safety Center at LOTTE R&D Center. The system computerizes the inspection process of factories and suppliers that manufacture LOTTE WELLFOOD's products, manages the hygiene information history of partners, and verifies safety at all times.

In addition, the real-time automatic detection program for food hazard information automatically collects and matches food nonconformity information from the FSM and product issue information from LOTTE WELLFOOD, enabling all users to check food hazard information immediately and respond quickly. The Food Safety Center also grants access to the FSM program to our partners, providing them with ongoing information on food safety issues and regulations and capacity development resources. As a result, our partners can quickly recognize internal and external issues related to food safety on a daily basis and check for issues related to their products. We also upload monthly food safety summary reports and manuals to help our partners continuously acquire food safety knowledge. In October 2022, the program received an encouragement award at the 'Food and Drug Data Utilization Contest' hosted by the Ministry of Food and Drug Safety, recognizing its ideas and excellence in advancing food safety management. LOTTE WELLFOOD also conducts support activities for its suppliers through the Food Safety Center at LOTTE R&D Center, including research support for claim reduction activities, foreign body analysis support, and food safety Q&A center operation.



Award at the Food and Drug Data Utilization Contest



Main page of FSM system

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Training for Partners

Other Win-win Activities

Classification	Major Activities
Conclusion of fair trade agreement	• Signed a fair trade agreement with the Shared Growth Committee in January 2022
Early payment for subcontractors ahead of holidays	• Early payment for subcontractors twice to improve the liquidity of partners (KRW 22.4 billion in total)
Purchase price adjustment	• Active consultation on adjustment of the purchase amount from partners according to the price adjustment procedure
Support for recruitment and job search	• Opened a corner to support partners' recruitment on the recruitment platform and encouraged them to use
Concluding and spreading subcontract payment interlocking contracts	• Signed an agreement for self-promoting subcontract payment interlocking system - Concluded subcontract payment interlocking contract (28 items)
Expansion of the private supply system ¹⁾	• Some imported raw materials → Pursuing stabilization of supply by expanding the scope of operation to domestic raw materials
Plant tour support	• Support for plant tours for partner companies belonging to the Win-Win Support Council and benchmarking of best practices

1) Private supply system: A system in which large corporations use their purchasing power to purchase raw materials necessary for product manufacturing in bulk and then supply them to their partners

Training Results

Classification	Unit	Year		
		2020	2021	2022
Quality Training Workshop	Number of partners	35	42	33
	Participants	35	42	33
Shared Growth Academy	Number of partners	10	16	46
	Participants	131	186	172

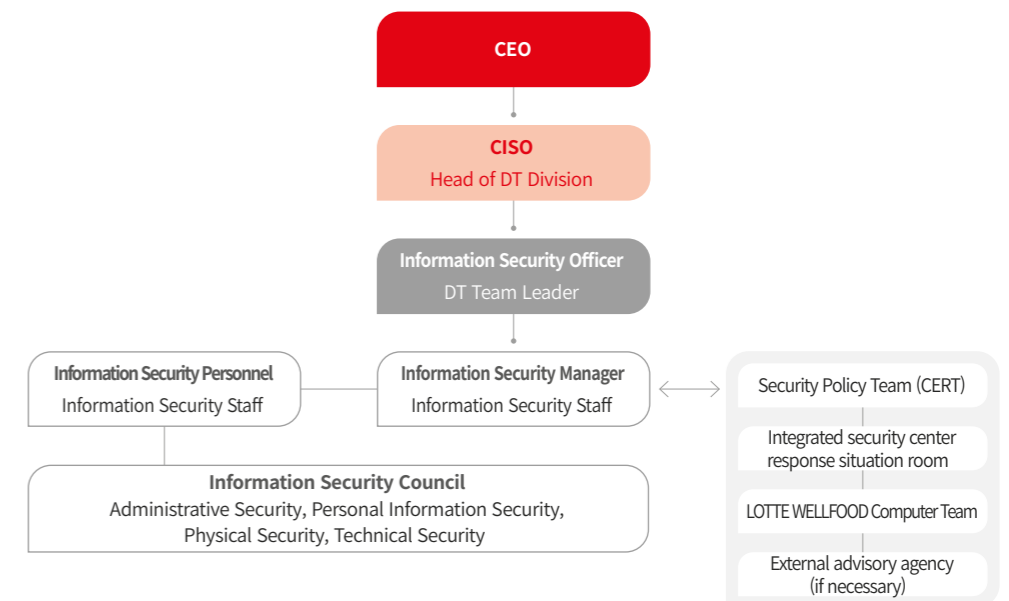
Information Protection

Information security management

The threat and damage of cyber terrorism are increasing due to the digital transformation trend and accelerating contactless culture. LOTTE WELLFOOD recognizes the need and importance of information security under these circumstances and has established a company-wide information security system. We are spreading the information security culture within and outside the organization by conducting information security breach drills once a year, diagnosing vulnerabilities, reviewing the information management status of partners, and providing training.

Information Protection Organization System

By revising the Act on Promotion of Information and Communication Network Utilization and Information Protection, LOTTE WELLFOOD designated the head of the DT Division as the Chief Information Security Officer (CISO) in July 2022. In addition, LOTTE WELLFOOD systematically conducts information protection management by operating the Information Protection Council and discussing information protection management by type.



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Information Protection

Information Protection Investment Performance

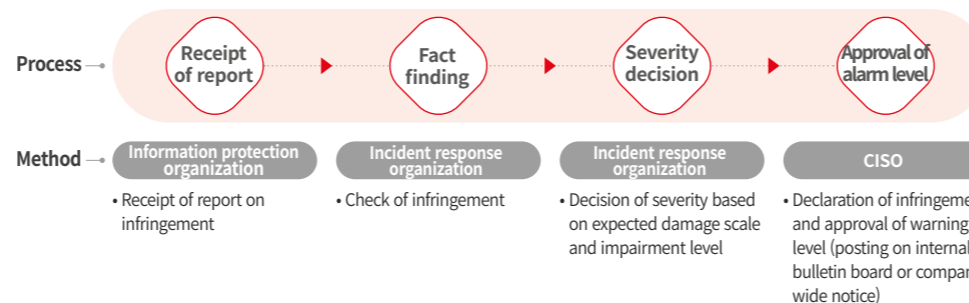
By the revision of the Act on Promotion of Information and Communication Network Utilization and Information Protection, LOTTE WELLFOOD discloses corporate information related to information protection to the Korea Internet and Security Agency (KISA) and transparently discloses the status of investments and activities for information protection.

Classification	Unit	Result	Remarks	
Investment in information security	Information technology sector (A)	KRW in millions	28,864	
	Information security sector (B)	KRW in millions	2,512	
	B / A	%	8.7	
Information security personnel	Information technology sector (C)	Persons	110	
	Information security sector (D)	Persons	8.5	Internal: 3.5 / outsourcing: 5.0
	D / C	%	7.8	

Security Management System

LOTTE WELLFOOD has established a company-wide security incident response process, identifies the definition and scope of security incidents, and establishes evaluation criteria by distinguishing between internal and external situations. The severity of issues is categorized into four levels, and procedures are established and managed to differentiate response activities and ensure an effective response. The disaster recovery system is classified and operated by analyzing the business impact and data importance of the system according to the tasks of each business division.

Security Incident Reporting Process



Security Incident Prevention and Response Activities

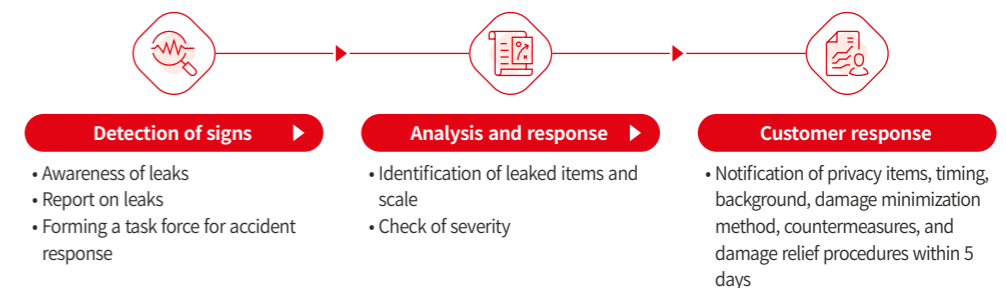
LOTTE WELLFOOD regularly checks vulnerabilities of company-wide systems to prevent security incidents. Prevention and response activities are reported to the Information Security Council, which establishes plans and implements activities to improve vulnerabilities. We also conduct prevention activities such as mock virus drills once a quarter and information security newsletters to raise employee security awareness.



Customer Personal Information Management Process

Customer information is managed based on the customer's consent and by the Personal Information Protection Act and the Privacy Policy revised in April 2023. In the event of a personal information leak, LOTTE WELLFOOD will take measures to recover and destroy personal information by the principles of responding to personal information infringement incidents.

Personal Information Leakage Response Process



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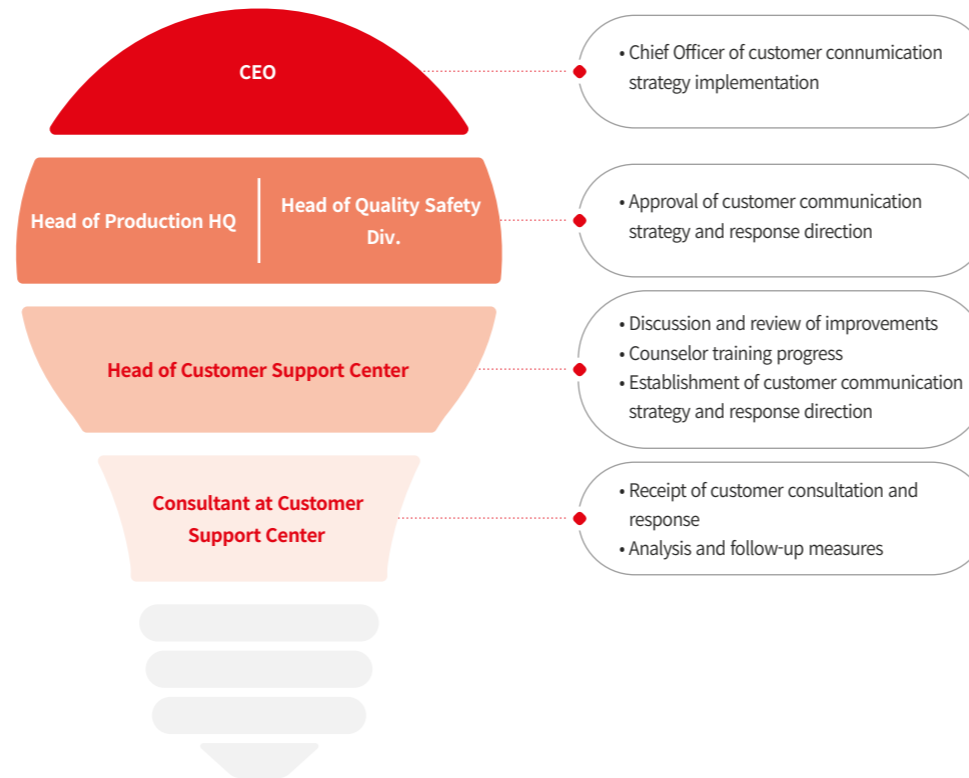
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Customer Communication

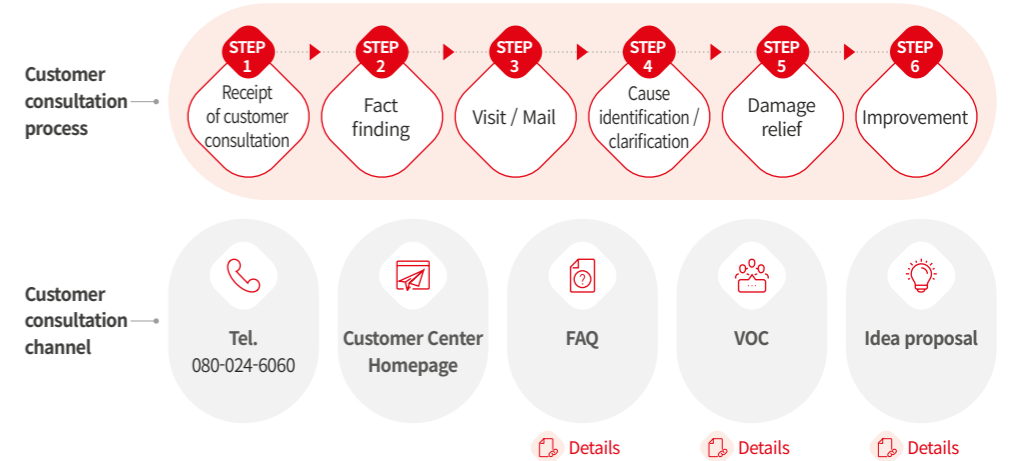
Customer Communication Management System

LOTTE WELLFOOD was the first company in the confectionery industry to introduce the Consumer Complaint Management System (CCMS), certified by the Korea Fair Trade Commission, in 2007. Since then, we have clearly defined responsibilities and roles to manage the company-wide customer satisfaction management system by operating regular consumer surveys, communication channels and revising customer satisfaction services.

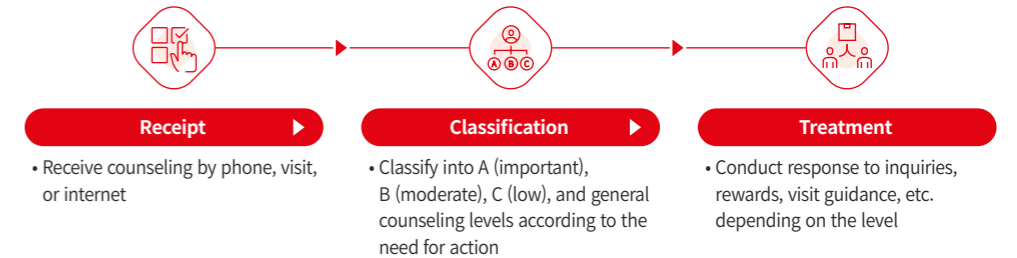
Customer Communication Management Governance



Customer Consultation Process



Customer Consultation Management Process



Protection of Customer Service Workers

To protect the mental and physical health of customer service workers, LOTTE WELLFOOD has established worker protection regulations that include prohibited acts and protective measures. The regulations stipulate that excellent counselor awards may be given semi-annually to provide education on job stress prevention due to emotional labor and improve customer service workers' morale.

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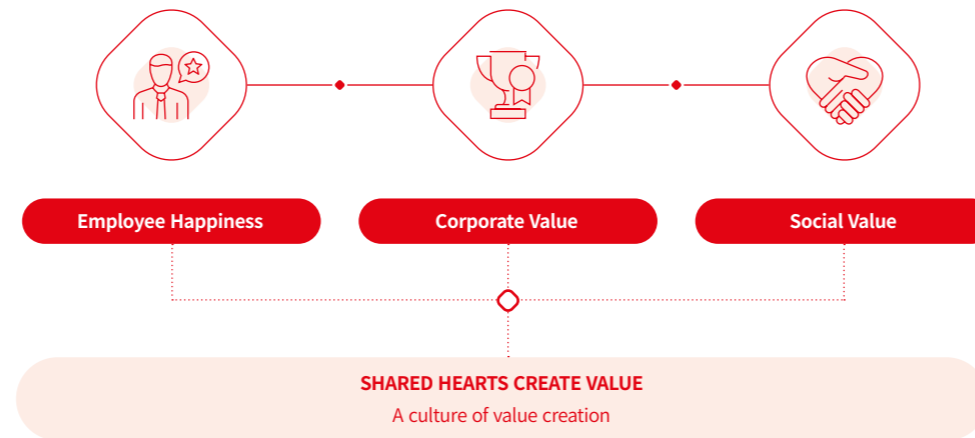
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Human Rights Management

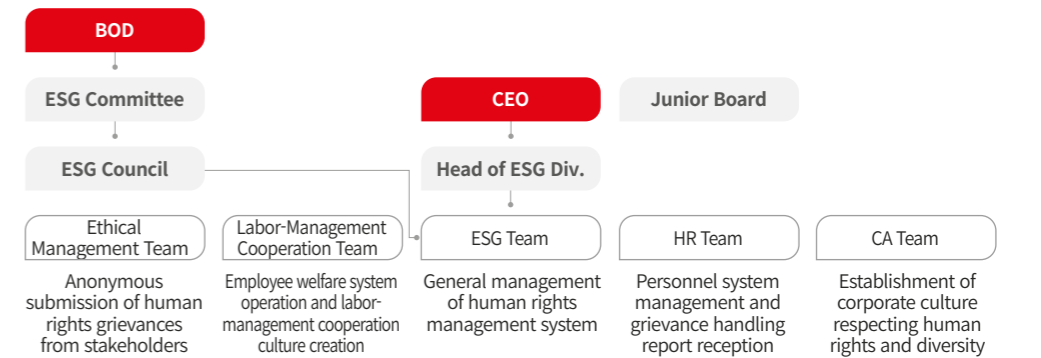
Culture of Employee Value Creation

LOTTE WELLFOOD aims to be a company where employees want to work and grow together, and we are creating a corporate culture where human rights are respected. Human rights management is the foundation of LOTTE WELLFOOD's value creation culture and serves as a key criterion in all processes such as employee life satisfaction, talent development, and recruitment. The ESG Committee under the Board of Directors reviews, decides, and approves strategies and major issues related to human rights. The ESG Council makes company-wide decisions on human rights considering the human rights-related status of working teams. In addition, we conduct an annual value creation culture diagnosis to evaluate employees' satisfaction with the corporate culture. The diagnosis focuses on basic and practical factors to identify the level of employee happiness creation, corporate value creation, and social value creation, which are the result indicators. We strive to internalize LOTTE WELLFOOD's value creation culture through culture-level assessment, issue identification, and continuous improvement.



Human Rights Management System

LOTTE WELLFOOD has established a human rights management system through the collaboration of various departments to create a corporate culture in which employees' human rights are respected and to prevent human rights violations and take action when they occur.



Declaration of Statement on Human Rights

On December 15, 2022, LOTTE WELLFOOD declared the Statement on Human Rights, approved by the ESG Committee, and disclosed it to all employees and stakeholders. Based on international human rights guidelines, including the UN Universal Declaration of Human Rights, the Statement strictly prohibits discrimination and forced labor and aims to respect the diversity and human rights of employees and other members of society.

Statement on Human Rights

[Human Rights Management Charter](#)

We pursue "human rights management" which can have a positive impact on not only our customers but also our society as a whole, and aims to contribute to the enrichment of individuals and communities. In this regard, we set forth this "LOTTE WELLFOOD Statement on Human Rights" as standards of conduct, performance, and ethics all of our officers and employees must comply with in the course of business operation and management in order for LOTTE WELLFOOD to become a corporation advancing human wellbeing. This Statement is based on international human rights principles and standards, including the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the UN Convention on the Rights of the Child.

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Diversity and Non-discrimination

LOTTE WELLFOOD pursues a human resources management policy that respects diversity. In particular, it focuses on programs to develop female employees and continuously improves the proportion of female executives.

Classification	Unit	Year		
		2020	2021	2022
Ratio of femal employees	%	37.6	38.5	40.5
Managers	Female (persons)	60	73	94
	Male (persons)	409	401	646
	Total	469	474	740
Executives	%	12.8	15.4	12.7
	Female (persons)	1	2	7
	Male (persons)	33	34	46
	Total	34	36	53
	%	2.9	5.6	13.2
Female employees in profit-generating organizations*	Female (persons)	1,465	1,518	2,526
	Male (persons)	2,383	2,355	3,606
	Total	3,848	3,873	6,132
	%	38.1	39.2	41.2

* Departments related to sales, production and marketing

Accessible workplaces

LOTTE WELLFOOD established Sweet With and Food With, subsidiary standardized workplaces for the disabled, in Pyeongtaek Plant in 2016 and Cheongju Plant in 2020, respectively, to create jobs for the disabled and fulfill social responsibility. Both companies are engaged in small-scale packaging of our products. Both companies employ all production employees with disabilities as full-time employees and in the case of Sweet With, provide training and employment opportunities for people with disabilities through partnerships with schools in Pyeongtaek, Osan, Hwaseong, and other areas in Gyeonggi Province. In this way, LOTTE WELLFOOD supports the economic independence of people with disabilities and fulfills its social responsibility.

Employment of People with Disabilities

Classification	Unit	Number	
LOTTE WELLFOOD	Persons	101	
Subsidiary	Sweet With	Persons	79
	Food With	Persons	39
Total	Persons	219	
Employment rate of disabled employees	%	3.2	

* In accordance with the Korea Employment Agency for the Disabled's criteria for recognizing the number of persons with disabilities, severely disabled persons are counted twice.

Operation of a Subsidiary-type Standard Workplace for the Disabled

Classification	Unit	Sweet With	Food With	
Production job	Disabled	Persons	40	20
	Non-disabled	Persons	5	8
Office job	Non-disabled	Persons	4	2
Total	Persons	49	30	

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Human Rights Management

Healthy Labor-Management Relations

LOTTE WELLFOOD holds annual delegate meetings to reconcile differences between labor and management and improve labor-management culture by establishing various communication channels. As a result of these efforts, we were selected as an excellent company for labor-management culture by the Ministry of Employment and Labor in 2019, and we maintained our status as an excellent company in 2022. LOTTE WELLFOOD aims to enhance communication and cooperation between labor and management to improve employee satisfaction and work performance.



Certified as an excellent labor-management culture company



Declaration of joint practice of social responsibility between labor, management and government



Declaration of implementation of mutual respect workplace policy between labor, management and government

2022 Labor-Management Council Performance

LOTTE WELLFOOD held labor-management meetings once a quarter, involving management and labor, to discuss and resolve issues that arose at each factory.

Plant	Major Agenda
Yeongdeungpo Plant	Discussion on office relocation and personnel related issues
Yangsan Plant	Participation in quality improvement activities, diversification of contract production worker recruitment channels
Suwon Plant	Discussion on environmental management plans related to facility expansion, improvement of welfare facilities
Jeungpyeong Plant	Inspection of issues related to in-house subcontracting, improvement of welfare facilities

2022 Labor-Management Relations Activities

LOTTE WELLFOOD manages labor relations from an ESG perspective. To this end, the Head of the ESG Division signed collective agreements and wage agreements. In addition, workshops such as joint labor-management picnics and climbing competitions were held to improve labor-management relations.

Classification	Details	Method
Conclusion of collective agreement	Improvement of company-wide working conditions, welfare benefits, etc.	meeting
Conclusion of wage agreement	Wage increase	meeting
Agreement on flexible work hours	Flexible work hours suitable for production planning	meeting
Joint delegate conference	Joint delegate conference for labor-management unity	workshop
Labor-management workshop	Discussion on procedures and preparations prior to wage negotiations and collective bargaining	workshop
Joint picnics, mountaineering, etc.	Mountaineering, sports activities, etc. for labor-management unity and cooperative labor-management relations	workshop

Collective Agreements

LOTTE WELLFOOD guarantees workers' rights by applying the results of collective bargaining agreements to unionized employees and non-unionized employees. As of 2022, 74% of all employees were covered by collective bargaining agreements. For other employees who are not eligible for unionization, we determine working conditions and employment terms through the provisions of the Employment Rules.

Classification	Unit	Year		
		2020	2021	2022
Total number of employees	Persons	4,340	4,349	6,795
Employees subject to union membership	Persons	3,095	3,083	5,020
Number of union members	Persons	1,697	1,693	2,604
Collective agreement application rate*	%	71	71	74
Union membership rate**	%	55	55	52

* Number of employees subject to union membership / total number of employees
 ** Number of union members / number of employees subject to union membership

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Junior Board

The Junior Board is a youth board directly under the CEO composed of young executives, mainly those in their 90s, operating at the LOTTE Group level since 2021. To form a human rights management system and corporate culture that serve as the foundation for sustainable corporate growth, LOTTE WELLFOOD's Junior Board members play a role in directly conveying employees' voices on work systems, organizational culture, and human rights management to the CEO at monthly meetings. In addition, through various awareness-raising activities on improving corporate culture, LOTTE WELLFOOD was selected as an excellent affiliate among the 38 affiliates of the LOTTE Group.

Major Activity	Details
Production of 'Lot Quiz on the Block'	• Content where the Junior Board meets executives and employees from various departments to share their thoughts and opinions about their work through interview
Implementation of company-wide survey	• Collection of opinions on the company's direction and establishment of a new organizational culture desired by executives and employees after the merger
Launch of 'Well Tree Forest' bulletin board	• A bulletin board where employees can anonymously share their opinions on overall company operations • When a certain number of 'likes' are obtained, the CEO and related departments discuss improvement directions at regular meetings.



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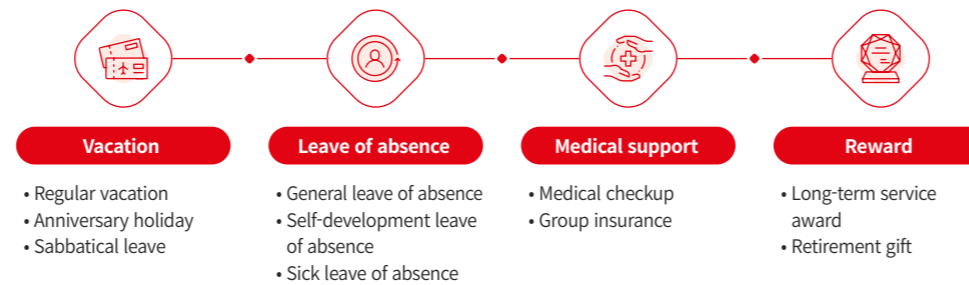
Improving Employee Satisfaction on Life

Work-Life Balance

LOTTE WELLFOOD has various institutional arrangements in place to ensure employees' work-life balance and enhance their work efficiency and satisfaction. LOTTE WELLFOOD's system for ensuring work-life balance is organized under three themes: self-development, life convenience, and family love.

Self-development

LOTTE WELLFOOD operates various types and purposes of vacation, leave, medical support, and reward systems to help employees return to work with sufficient rest and self-development.



Convenience of life

To prevent employees from working long hours and improve work efficiency, we have implemented a PC on/off system that automatically shuts down work PCs at the end of the workday. We also operate a "Healing Day" system that encourages employees to use their annual leave on Fridays in consideration of their personal work schedules on the third week of each month. In addition, every Friday is designated as a day to leave work one hour early, and we operate a staggered commute system (flexible work system) to support employees' balanced lives through various other flexible work systems.



Family Love

LOTTE WELLFOOD received the Ministry of Gender Equality and Family Affairs' Family Friendly Business Certification in 2014, awarded to companies that operate family-friendly systems in an exemplary manner, and has continued to maintain its status through renewal in December 2022. We have established a parental leave system to prevent career interruptions for female employees due to pregnancy, childbirth, and childcare. Since 2017, we have also guaranteed parental leave to male employees. We also strive to reduce the psychological and financial burden on employees through support for funeral services.

(Valid period of the family-friendly company certification: Dec. 01, 2022 ~ Nov. 30, 2025)

Parental leave data



Key Benefits

- Family Event**
 - Allowance and paid vacation for 60th birthdays and weddings of employees and their families
 - Allowance, paid vacation, and professional funeral services for employees and their families
- Maternity / Parental Leave**
 - 90 days of leave before and after the birth of a child
 - 10 days off for the birth of a spouse
 - Support of child care for the second birth
 - Baby gifts
- Vacation / Shortened work hour**
 - Family care leave and leave of absence
 - Reduced working hours during pregnancy
 - Reduced working hours during parenting
- Parental Leave**
 - Maximum 2 years of parental leave
 - Minimum 1 month of mandatory parental leave for men
 - Maximum 1 year of child enrollment care leave
- Child Education**
 - Workplace daycare for employee's children
 - Congratulatory allowance for admission to elementary/middle/high school
 - College tuition assistance

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Improving Employee Satisfaction on Life

A workplace where you want to work

LOTTE WELLFOOD strives to create an autonomous and horizontal work environment so employees can focus on their work. To this end, we have introduced an autonomous seating system to provide a flexible work environment, and we have made it easier for employees to commute to and from work by utilizing Fast Five co-working spaces and our sales branches. As a result, employees can work at any of our 25 offices in the Seoul metropolitan area. In addition, LOTTE WELLFOOD encourages remote working throughout the organization, and we operate flexibly according to the nature of each organization's work. This allows employees to work more efficiently.

LOTTE WELLFOOD has introduced and implemented a single title system to encourage horizontal communication. The single title system works by simplifying the titles for other positions while retaining the titles of leaders. By doing so, we aim to promote balance and cooperation within the organization.

In addition, LOTTE WELLFOOD operates 47 in-house clubs across the company as of Q1 2023. These clubs actively support employee socialization, stress relief, self-development, etc.



Appellation system



In-house clubs

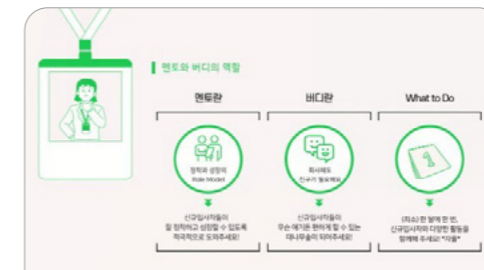
Employee Grievance System

LOTTE WELLFOOD operates various systems to make it a company where employees want to work and grow together. We resolve and support employees' work, life, and psychological grievances through these programs.

For new employees, we operate an in-house mentor and buddy matching system and provide a monthly activity fee to help new employees quickly integrate into the organization and increase their job satisfaction.

LOTTE WELLFOOD also provides a welfare system guidebook so employees can check various in-house welfare programs that have been integrated and newly established since the merger. It also operates a social media chatbot to help employees easily access the necessary information.

LOTTE WELLFOOD operates a psychological counseling support program through a professional organization to improve the psychological health of its employees. In 2022, the program was expanded to include employees and their families. As a result, in 2022, the number of psychological counseling sessions was 616 and the number of participants was 100. In 2023, we plan to increase the number of participants by 50% year-on-year to provide benefits to more employees.



Mentor & Mentee System



Psychological Counseling Support Program



Chatbot system

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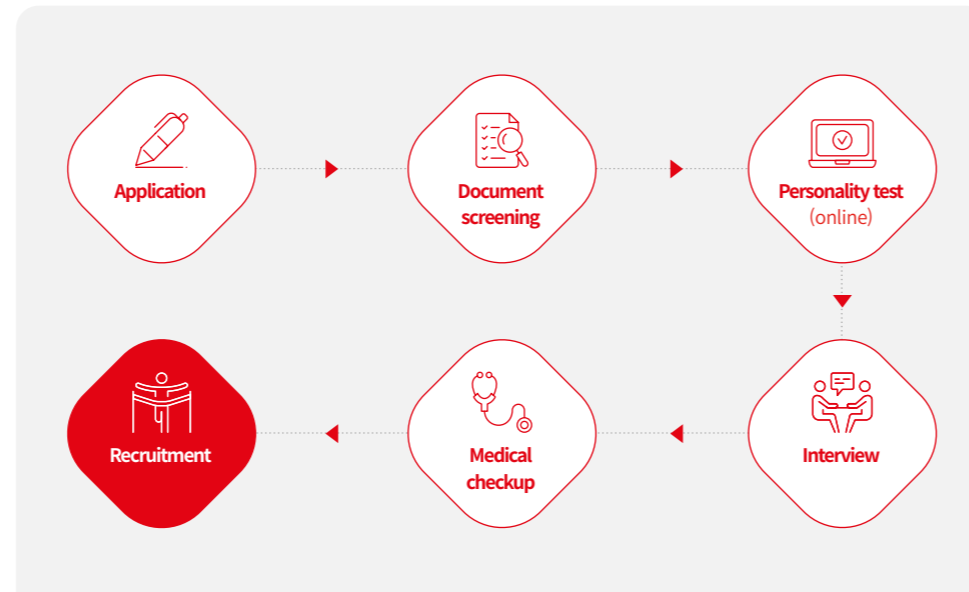
Recruitment and Cultivation of Talent

Personality and Recruitment Process

[More Details](#)

LOTTE WELLFOOD is looking for people who take on challenges with a strong sense of responsibility to lead the future. We want to work with creative thinkers to realize our sustainable vision. LOTTE WELLFOOD will actively recruit such talents to grow and shape the future together.

Ideal Talent and Recruitment Process

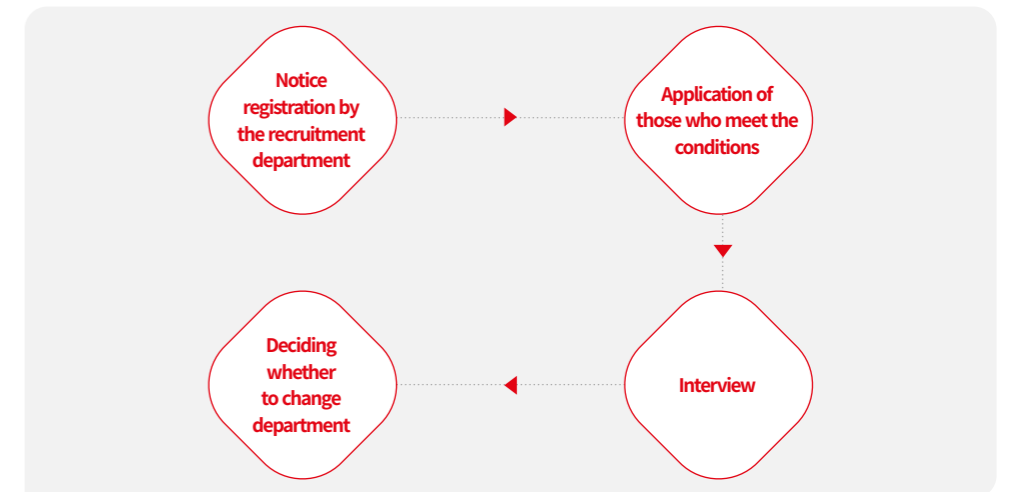


Internal Recruitment & INCareer

The internal recruitment system was introduced to complement the existing rotational recruitment system to give employees the autonomy to choose a job that suits their abilities and inclinations and to ensure flexible and smooth departmental staffing. As a result, employees can choose jobs that match their capabilities and interests, and the company can recruit the right talent and put them to work effectively. The internal recruitment system will support employees' competency development and career planning. It will promote employee engagement and creativity, enhancing not only their personal growth but also the capabilities of the company as a whole. At the LOTTE Group level, we have also been operating INCareer, a career development platform that allows employees to transfer positions between affiliates, since 2022 to support employee-led career development and growth.



Process



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Recruitment and Cultivation of Talent

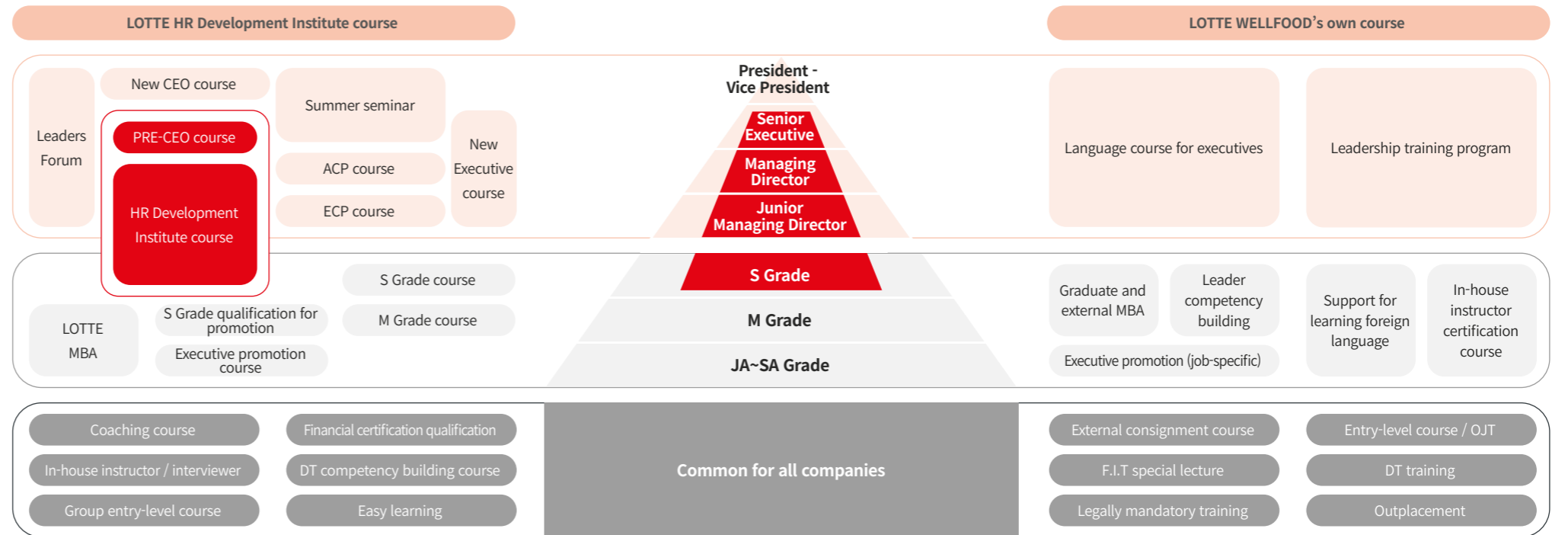
Talent Development Strategy

At LOTTE WELLFOOD, fostering talent is a top priority. We foster a balanced workforce through systematic training by position and function and generalist and specialist courses. Even during the pandemic, we provided continuous education and training through online education, implemented the Fearless Leader and internal venture systems, and supported employees' innovation and challenges based on empathetic leadership to foster entrepreneurship. In addition, we operate MBA courses and overseas internship and exchange programs and support individual growth through customized training courses and evaluation and feedback processes. LOTTE WELLFOOD fosters talents with both expertise and leadership to respond to the changing business environment through various talent development strategies. LOTTE WELLFOOD also operates outplacement support programs to help employees manage their careers when they retire or terminate employment. We are currently operating an outplacement program for retired executives that provides information on reemployment, start-ups, homesteading, financial planning, etc. In the future, we plan to further expand the scope of these outplacement programs to employees of various positions.



Fearless leader system

Training System



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Social Performance

Employee

LOTTE WELLFOOD's total number of employees at the end of 2022 was 6,795, an increase of 2,446 year-on-year following the LOTTE FOODS merger. The number of non-affiliated workers was 2,861, consisting of service and contractor workers who work at LOTTE WELLFOOD's sites but are not affiliated with LOTTE WELLFOOD.

Classification	Unit	Year		
		2020	2021	2022
Total number of employees	Persons	4,340	4,349	6,795
Number of employees	Male	2,709	2,676	4,040
	Female	1,631	1,673	2,755
Regular position	Male	2,691	2,618	3,914
	Female	1,354	1,406	1,789
	Total	4,045	4,024	5,703
Percentage	Male	62	60.2	57.6
	Female	31.2	32.3	26.3
	Total	93.2	92.5	83.9
Contract position	Male	18	58	126
	Female	277	267	966
	Total	295	325	1,092
Percentage	Male	0.4	1.3	1.9
	Female	6.4	10	14.2
	Total	6.8	7.5	16.1

Classification	Unit	Year		
		2020	2021	2022
Support	Male	225	225	290
	Female	98	102	104
	Subtotal	323	327	394
By business division	Male	1,450	1,394	1,866
	Female	893	924	1,655
	Subtotal	2,343	2,318	3,521
Production	Male	1,034	1,057	1,884
	Female	640	647	996
	Subtotal	1,674	1,704	2,880
Age 30 and under	Male	279	299	441
	Female	239	261	401
	Subtotal	518	560	842
Age 31 to 50	Male	1,870	1,774	2,580
	Female	1,230	1,217	1,683
	Subtotal	3,100	2,991	4,263
Over age 50	Male	560	603	1,019
	Female	162	195	671
	Subtotal	722	798	1,690
Total	Persons	4,340	4,349	6,795

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Expatriates

Classification	Unit	Year			
		2020	2021	2022	
Gender	Male	Persons	30	30	30
	Female	Persons	0	0	0
Position	Executives	Persons	6	6	3
	Manager and higher	Persons	24	24	27
	Assistant manager and under	Persons	0	0	0
Age	Age 30 and under	Persons	0	0	0
	Age 31 to 50	Persons	27	27	27
	Over age 50	Persons	3	3	3
	Total	Persons	30	30	30

Talent Cultivation

Classification	Unit	Year			
		2020	2021	2022	
Number of trainees	Total	Persons	24,722	14,358	22,494
Training hours	Total	Hours	51,764	22,418	25,298
Total training costs		KRW in millions	1,508	2,193	3,441
Training cost per employee		KRW in millions / Person	0.46	0.73	0.60

Social Contribution

Classification	Unit	Year		
		2020	2021	2022
Charitable contribution	KRW	5,710,069,490	6,005,990,885	7,692,910,306
Investment in local communities	KRW	334,863,321	911,095,055	696,992,210
Commercial initiative	KRW	1,587,874,823	4,214,101,718	495,418,182
Total	KRW	7,632,807,634	11,131,187,658	8,885,320,698

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Employment Contract

Classification	Unit	Year				
		2020	2021	2022		
Employment contract by country	Korea	Full-time	Persons	4,045	4,024	5,703
		Contract	Persons	295	325	1,092
		Total	Persons	4,340	4,349	6,795
	China	Full-time	Persons	73	74	22
		Contract	Persons	62	71	0
		Total	Persons	135	145	22
	Russia	Full-time	Persons	226	244	262
		Contract	Persons	72	88	90
		Total	Persons	298	332	352
Myanmar	Full-time	Persons	1,517	1,470	1,353	
	Contract	Persons	21	0	0	
	Total	Persons	1,538	1,470	1,353	
India	Full-time	Persons	1,502	1,450	1,485	
	Contract	Persons	266	433	642	
	Total	Persons	1,768	1,883	2,127	
Pakistan	Full-time	Persons	502	491	448	
	Contract	Persons	1,330	995	902	
	Total	Persons	1,832	1,486	1,350	
Kazakhstan	Full-time	Persons	4,160	3,787	3,826	
	Contract	Persons	0	0	0	
	Total	Persons	4,160	3,787	3,826	

Classification	Unit	Year				
		2020	2021	2022		
Employment contract by country	Belgium	Full-time	Persons	193	187	191
		Contract	Persons	2	5	2
		Total	Persons	195	192	193
	Singapore	Full-time	Persons	10	14	18
		Contract	Persons	1	0	0
		Total	Persons	11	14	18
	Other (Dubai Office)	Full-time	Persons	1	1	2
		Contract	Persons	2	1	0
		Total	Persons	3	2	2
Natives Employment	By continent	America	Persons	0	0	0
		Europe	Persons	492	524	545
		Asia (except Korea)	Persons	9,444	8,785	8,375
		Middle East	Persons	3	2	2
		Africa	Persons	0	0	0
		Total	Persons	9,939	9,311	8,922

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Employee Diversity and Change

Classification	Unit	Year			
		2020	2021	2022	
Employee diversity	Percentage of female employees	%	37.6	38.5	40.5
	Managers	Female (persons)	60	73	94
		Male (persons)	409	401	646
		Total	469	474	740
		%	12.8	15.4	12.7
	Gender	Female (persons)	1	2	7
		Male (persons)	33	34	46
		Total	34	36	53
		%	2.9	5.6	13.2
	Executives	Female (persons)	1,465	1,518	2,526
		Male (persons)	2,383	2,355	3,606
		Total	3,848	3,873	6,132
		%	38.1	39.2	41.2
	Percentage of females in the BOD	%	0	0	12.5
Disabled	Number	Persons	148	140	219
	Percentage	%	3.4	3.2	3.2
Veteran	Number	Persons	33	34	39
	Percentage	%	0.76	0.78	0.57

Classification	Unit	Year			
		2020	2021	2022	
Male	Full-time	Persons	116	189	165
	Contract	Persons	0	0	60
	Part-time	Persons	242	430	586
	Total	Persons	358	619	811
Female	Full-time	Persons	38	98	169
	Contract	Persons	113	216	616
	Part-time	Persons	803	1,065	4,153
New recruits	Total	Persons	954	1,379	4,938
	Age 30 and under	Persons	564	891	1,588
	Age 31 to 50	Persons	630	921	2,173
By age	Over age 50	Persons	118	186	1,988
	Total	Persons	1,312	1,998	5,749
	By contract type	Full-time	Persons	154	287
Contract		Persons	113	216	676
Part-time		Persons	1,045	1,495	4,739
Total		Persons	1,312	1,998	5,749
Gender	Male	Persons	227	213	239
	Female	Persons	247	491	764
	Total	Persons	474	704	1,003
Turnover	Age 30 and under	Persons	106	87	147
	Age 31 to 50	Persons	322	486	627
	Over age 50	Persons	46	131	229
	Total	Persons	474	704	1,003

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Parental Leave

We have a parental leave system to prevent career interruption of female employees due to pregnancy, childbirth, and childcare, and we have guaranteed parental leave for male employees since 2017.

Classification	Unit	Year		
		2020	2021	2022
Number of employees entitled to parental leave	Male Persons	754	754	1,195
	Female Persons	207	251	356
	Total Persons	961	1,005	1,551
Number of employees who used parental leave	Male Persons	45	70	75
	Female Persons	49	67	99
	Total Persons	94	137	174
Rate of return to work after parental leave	Male %	93.3	97.1	98.4
	Female %	93.9	77.6	98.2
	Total %	93.6	87.6	98.3
Percentage of service for at least 12 months after return to work	Male %	85.5	78.6	88.9
	Female %	82.1	67.4	64.6
	Total %	84.6	72.7	80.4

Evaluation and Compensation, Collective Agreements

Classification	Unit	Year		
		2020	2021	2022
New employee wages	Male KRW in millions	38	38	41
	Ratio of male remuneration to average %	101.8	100.0	100.0
	Female KRW in millions	37	38	41
Employee compensation	Ratio of female remuneration to average %	98.3	100.0	100.0
	Male Persons	2,709	2,676	4,040
	Total KRW in millions	171,627	172,614	223,093
Wages of all employees	Per capita KRW in millions	63	65	55
	Female Persons	1,631	1,673	2,755
	Total KRW in millions	63,402	65,062	90,469
Retirement pension plan	Per capita KRW in millions	39	39	33
	Ratio of basic salary of female to male %	61.4	60.3	59.5
	Total Persons	4,340	4,349	6,795
DB	Total amount KRW in millions	235,029	237,677	313,562
	Per capita KRW in millions	54	55	46
	Subscribers Persons	3,321	3,018	6,194
DC	Reserved KRW 100 million	1,213	1,252	2,164
	Subscribers Persons	853	901	1,790
	Reserved KRW 100 million	357	413	717

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Evaluation and Compensation, Collective Agreements

Classification	Unit	Year			
		2020	2021	2022	
Evaluation target	Male	Persons	2,692	2,621	3,918
	Female	Persons	895	917	1,374
	Total	Persons	3,587	3,538	5,292
	Male ratio	%	99.4	97.9	97.0
	Female ratio	%	54.9	54.8	49.9
Employees who received regular performance evaluation	Total	%	82.6	81.4	77.9
	Male	Persons	2,514	2,472	3,804
	Female	Persons	824	817	1,338
	Total	Persons	3,338	3,289	5,142
	Male ratio	%	93.4	94.3	97.1
By gender	Female ratio	%	92.1	89.1	97.4
	Full-time	Persons	3,336	3,283	5,128
	Contract	Persons	2	6	14
	Total	Persons	3,338	3,289	5,142
	Full-time ratio	%	82.5	81.6	99.7
Employment type*	Contract ratio	%	0.7	1.8	0.3
	Total	%	93.1	93.0	97.2
	Total number of employees	Persons	4,340	4,349	6,795
Collective agreement	Employees subject to union membership	Persons	3,095	3,083	5,494
	Number of union members	Persons	1,697	1,693	2,604
	Collective agreement application rate	%	71	71	81
	Union membership rate	%	55	55	47

* Performances in 2020 and 2021 were revised by reflecting contract employees subject to conversion to full-time employees.

* Evaluation target: Full-time employees and contract employees subject to conversion to full-time position (Excluding executives, those who joined the company after July of the year, those who have not reached the working period after return to work, and sales promotion workforce among regular employees)

Safety Management

LOTTE WELLFOOD acquired the safety and health management system (ISO45001) for its headquarters, all 13 factories, and LOTTE R&D Center in February 2023, covering all 5,560 employees working at the headquarters and factories, as well as all non-affiliated workers. In 2022, there were 15 industrial accidents, of which 14 were falls, pinching, collisions, and traffic accidents, and one was a musculoskeletal disease. LOTTE WELLFOOD will ensure that employees work in an environment where safety and health are further guaranteed.

Classification	Unit	Year			
		2020	2021	2022	
Council	Safety and health council held	Times	104	104	202
Industrial accident rate		%	0.28	0.30	0.22
Number of industrial accidents occurred	Total	Cases	12	13	15
	Accident	Cases	10	11	14
	Disease	Cases	2	2	1
Total working hours		1,000 hours	9,362	8,847	13,644
Lost Time Injury Rate (LTIR)	Employees		0.26	0.30	0.22
	Hours	Hours	39,660	39,344	36,768
Safety and health training	Trainees	Persons	2,661	2,640	3,064
	Training hours per capita	Hours / Person	15	15	12
Number of occupational safety prevention activities at business sites		Cases	-	2,213	2,162
Award for safety and health		Cases	0	0	1

* Industrial accident rate = Number of industrial accidents occurred / total number of employees

* LTIR: Number of industrial accidents occurred for the year / Total hours worked by all employees during the same period × 200,000 (LTIR in 2020 and 2021 in the previous report was also calculated and reported using the above formula)



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Product Safety

Classification	Unit	Year				
		2020	2021	2022		
Audit results by Global Food Safety Initiative (GFSI)	Major and minor nonconformities	Cases	10	10	37	
	Relevant corrective action	Cases	10	10	37	
Food safety	Percentage of ingredients sourced from tier 1 supplier facilities certified in the GFSI Food Safety Certification Program	%	0	0	0	
	Number of notifications of food safety violations	Cases	5	3	9	
	Correction rate	%	5	3	9	
	Number of recalls announced*	Cases	0	0	2	
	Total number of recalled foods	ton	0	0	205	
		Total	KRW in millions	18,906	17,924	32,882
		Organic products	KRW in millions	1,697	2,118	2,261
Health and nutrition		Low-fertilizer food	KRW in millions	0	0	0
		Low-fat products	KRW in millions	9,856	6,197	4,598
	Revenue from products labeled or marketed to promote health and nutritional properties	Low-sugar products	KRW in millions	3,376	2,687	18,516
		Low salt	KRW in millions	0	0	0
		Low preservatives, artificial seasonings	KRW in millions	0	0	0
		Reinforcement of 5 major nutrients	KRW in millions	3,978	6,922	7,508
		Capacity-adjusted products	KRW in millions	0	0	0
Labeling and marketing	Number of violations of industry or regulatory labeling or marketing-related laws**	Cases	2	0	1	

* Cases closed without fines imposed

** Matters related to disposal of a subsidiary (LOTTE Fresh Delica)

Ethical and Human Rights Management

Classification	Unit	Year				
		2020	2021	2022		
Ethical management	Training on compliance program	Trainee	Persons	86	207	226
	Training on subcontract law	Trainee	Hours	-	0	0
	Total training	Trainee	Hours	86	207	226
Violation of laws	Violation of fair trade	Cases	0	0	1	
	Violation of subcontract law	Cases	0	0	0	
	Report on ethics violation (received)	Cases	0	3	5	
	Report on ethics violation (handled)	Cases	0	3	5	
	Report on ethics violation (action rate)	%	-	100	100	
Training on sexual harassment prevention	Training hours	Hours	4,353	4,315	5,690	
	Trainees	Persons	4,353	4,315	5,690	
	Training per capita	Hours / Persons	1	1	1	
Human rights management	Training on improving awareness of the disabled	Trainees	Persons	4,502	4,315	5,690
	Training per capita	Hours / Persons	1	1	1	
	Training on workplace bullying prevention	Trainees	Persons	3,632	4,315	5,690
	Training per capita	Hours / Persons	1	1	1	

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Ethical and Human Rights Management

Classification	Unit	Year				
		2020	2021	2022		
Total training	Training hours	Hours	12,487	12,945	5,690	
	Trainees	Persons	12,487	12,945	5,690	
	Training per capita	Hours / Persons	1	1	1	
Human rights management	Violation of laws	Number of human rights related VOCs received	Cases	5	3	6
		Number of human rights related VOCs handled	Cases	5	3	6
	Percentage of human rights related VOCs handled	%	100	100	100	
	Number of legal cases related to human rights	Cases	0	0	0	

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Board of Directors

Board composition and operating principles

The Board of Directors is the highest decision-making body with the authority to make decisions on the execution of the Company’s affairs and to supervise the execution of the duties of the Directors. LOTTE WELLFOOD’s Board of Directors consists of nine registered directors, including five independent directors, as of the end of the first quarter of 2023, and the members were appointed considering their expertise and diversity in their respective fields. To ensure the efficiency of the Board’s operations and prompt decision-making, Mr. Chang-yup Lee (Paul Yi) CEO, is the Chairman of the Board as of the end of March 2023. In addition, to promote more efficient and independent decision-making, the Board operates four intra-Board committees, including the Audit Committee, the Outside Director Nomination Committee, the Remuneration Committee, and the ESG Committee, to which the Board delegates some of its decisions. The five independent directors on the Board of Directors and its committees serve as a check on internal management based on their independence and expertise. The BOD’s resolutions are deliberated and passed by the Articles of Incorporation and the BOD Regulations, and the interests of stakeholders are protected by regulations restricting voting rights if any of the directors have certain interests.

In October 2021, we established the ESG Committee to carry out company-wide decisions on sustainability management and secure its implementation. The ESG Committee identifies sustainability-related issues represented by environment, society, and governance, identifies related risks and opportunities, and manages LOTTE WELLFOOD’s sustainability-related performance. The ESG Committee held four meetings in 2022. It resolved issues such as the publication of the 2021 Sustainability Report, the declaration of the Statement on Human Rights and the Statement on Environmental Management and the report on the results of the ESG assessment by the Korea ESG Standards Institute (KCGS). In March 2022, the EGG Committee appointed Ms. Hwang Deok-nam, our first female independent director, as the ESG Chairperson in consideration of her diversity and expertise. In addition, in May 2022, the Transparency Management Committee was integrated into the ESG Committee for efficient decision-making and absorbed the internal transaction resolution function of the previous committee. In February 2023, we appointed Mr. Sung-wook Hwang, our Head of Financial Strategy Division and a registered director, as an additional member of the ESG Committee. Mr. Hwang is an expert in accounting and finance and provides analytical advice and decision-making on the linkage between our sustainability management and financial factors.

BOD Composition

Classification	Item	Unit	Year		
			Dec. 2021	Dec. 2022	Mar. 2023
By gender	Male	Persons	8	7	8
	Female	Persons	0	1	1
By age	Under age 30	Persons	0	0	0
	Age 30 to 50	Persons	0	0	0
	Over age 50	Persons	8	8	9

BOD and ESG Committee Meetings for the Last 3 Years

Classification	Item	Unit	Year		
			2020	2021	2022
BOD	Number of BOD meetings	Times	8	9	7
	Number of agendas discussed	Cases	36	40	37
	Director attendance rate	%	87	96	95
ESG Committee	Number of ESG Committee meetings (established in October 21)	Times	0	1	4
	Number of ESG-related agendas discussed	Cases	0	2	8

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Board of Directors

BOD and Subcommittees

(Unit: cases, %)

Category	Purpose	Composition	Meetings	Agendas	Attendance rate
BOD	• The supreme decision-making body at LOTTE WELLFOOD	4 inside directors Dong-bin Shin, Young-goo Lee, Paul Yi (Chairman), Sung-wook Hwang			94.3
	• Deciding on matters stipulated in laws or the articles of incorporation and entrusted from the shareholders' meeting as well as management policy and major business promotion	5 outside directors Dong-gyu Lee, Mook-ki Son, Deok-nam Hwang, Hyun-cheol Han, Yoon-hwa Chung	7	37	98.2
Audit Committee	• Audit on legitimacy of duty execution, appointment of independent auditors, etc.	3 outside directors Hyun-cheol Han (Chairman), Mook-ki Son, Yoon-hwa Chung	6	16	100.0
Outside Director Nomination Committee	• Approval of outside director candidates to be recommended to the shareholders' meeting	5 outside directors Mook-ki Son (Chairman), Dong-gyu Lee, Deok-nam Hwang, Hyun-cheol Han, Yoon-hwa Chung	2	2	100.0
Remuneration Committee	• Approval of remuneration limit for directors to be submitted to the shareholders' meeting, individual remuneration for directors (including incentive), executive remuneration limit, and special bonus	3 outside directors Dong-gyu Lee (Chairman), Mook-ki Son, Hyun-cheol Han	6	11	100.0
ESG Committee	• Approval of ESG management activities, transactions between related parties, execution of donations, appointment of a governance officer, plans for safety and health, etc.	5 outside directors Sung-wook Hwang (Chairman), Dong-gyu Lee, Mook-ki Son, Hyun-cheol Han, Yoon-hwa Chung 2 inside directors Paul Yi, Sung-wook Hwang	4	8	96.9

* Composition of the BOD and subcommittees is as of March 31, 2023.

Independence of Outside Directors

LOTTE WELLFOOD selects candidates for outside directors from the Outside Director Nomination Committee, which is composed entirely of outside directors, to strengthen the independence of outside directors. Candidates are selected through the approval of the Outside Director Nomination Committee and the Board of Directors. They are finally appointed through a separate agenda item at the General Meeting of Shareholders. In this process, we check for conflicts of interest as required by relevant laws and regulations and the Articles of Incorporation, such as the criteria for determining independence in Article 382 of the Commercial Code, at the appointment stage, and ensure that outside directors can make decisions from a position of independence from management and supervise and support the BOD. In addition, the Audit Committee and the Remuneration Committee are composed entirely of outside directors with expertise appropriate to the nature of each committee. In addition, LOTTE WELLFOOD limits the number of concurrent positions held by outside directors to no more than two to comply with Article 542.8 of the Commercial Code and Article 34 of the Enforcement Decree of the same Act and to ensure smooth management and confirms the status of concurrent positions held by other companies by obtaining the 'Confirmation of Qualification of Outside Directors' when appointing outside directors.

Support for Outside Directors

Our ESG Team is an organization that supports outside directors in performing their professional duties on the BOD and committees within the BOD. To ensure outside directors have access to management information, we provide them with agendas and related materials for BOD and committee meetings at least three days before the meeting. In addition, outside directors may receive support or advice from external experts when necessary to perform their duties. In addition, the ESG Team, an organization that supports outside directors, provides the following business support to enhance their understanding of the company's management status and support more active and rational decision-making.

Category	Details	Purpose
Business support program	Provision of knowledge to leaders in business, politics, governments, and academia	Reinforcement of outside directors' expertise by providing professional management information
Executives liability insurance	Compensation for legal damages inflicted on a third party due to job issues during job performance	Creation of a background for concentrating on business activities, support for confident decision-making, etc.
Education by external institutions	Participation in external training related to work such as internal accounting management system	Increase of work capacity and enhancement of professionalism
Others	Sharing of internal issues and meeting minutes	Better understanding of the company and management activities



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BOD Composition

Classification	Gender	Current Position	Career	Expertise	Term	Recommended by	Subcommittee under the BOD				
							Audit Committee	Outside Director Nomination Committee	Remuneration Committee	ESG Committee	
Inside Director	Dong-bin Shin	Male	Chairman of LOTTE Group	<ul style="list-style-type: none"> MBA in Business Administration, Columbia University Concurrent position as CEO of LOTTE HOLDINGS, LOTTE CHEMICAL and LOTTE CHILSUNG BEVERAGE 	Management	2024.03.23	BOD				
	Young-goo Lee	Male	General Representative of LOTTE Group's food business	<ul style="list-style-type: none"> B.A. in Industrial Engineering, Soongsil University Former CEO of LOTTE CHILSUNG BEVERAGE 	Management	2025.03.23					
	Paul Yi	Male	CEO of LOTTE WELLFOOD	<ul style="list-style-type: none"> MBA in Marketing/Finance, Columbia University Former Vice President of LG Household & Health Care / Head of Business Division 	Management	2025.03.23					●
	Sung-wook Hwang	Male	Head of Financial Strategy Division of LOTTE WELLFOOD	<ul style="list-style-type: none"> B.A. in Trade, Kookmin University Former Policy HQ Operation Team of LOTTE Shopping 	Finance	2024.03.23					●
	Dong-gyu Lee	Male	Senior Advisor, Kim & Chang Law Firm	<ul style="list-style-type: none"> M.A. in Safety Security, National Defense University Former Secretary General of the Fair Trade Commission 	Law	2024.03.23		●	●		●
	Mook-ki Son	Male	Professor, Department of Food and Biotechnology, Kyung Hee University	<ul style="list-style-type: none"> Ph.D. in Food Science and Technology, Rutgers University, USA Former Minister of Food and Drug Safety 	Food	2025.03.23		●	●	●	●
	Deok-nam Hwang	Female	Conciliator of the Seoul Central District Court	<ul style="list-style-type: none"> Department of Health and Medical Law and Ethics (M.A. in Public Health), Yonsei University Graduate School of Public Health Former Executive Director of Korea Law Institute 	Law	2024.03.23	Outside Director Nomination Committee		●		●
Hyun-cheol Han	Male	-	<ul style="list-style-type: none"> M.A. in Public Administration, Seoul National University Former Director of Public Administration and Safety Audit Finance Bureau, Board of Audit and Inspection 		2024.03.31		(Expert in Accounting)	●	●	●	
Yoon-hwa Chung	Male	Professor, Department of Food and Nutrition, Dankook University	<ul style="list-style-type: none"> Ph.D. in Food Science, University of Florida, USA Former President of the Korean Society of Food and Nutrition Sciences 	Food	2025.03.23		●	●		●	

* As of March 31, 2023

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Board of Directors

Board Performance Evaluation and Compensation

Each year, LOTTE WELLFOOD conducts an independent evaluation of all current and upcoming independent directors whose terms of office are expiring and evaluates their contributions, expertise, and proactivity based on internal evaluation criteria. The evaluation is conducted by an evaluation committee composed of internal executives, and the evaluation results are utilized to determine the reappointment of directors. The remuneration committee determines the remuneration of directors, and the remuneration limit and individual remuneration amounts are approved by the general meeting of shareholders in accordance with the Commercial Code, the Articles of Association, and the Board of Directors Management Regulations. The evaluation of directors and the determination of remuneration are conducted in a transparent and fair process to strengthen the independence of directors and the performance of their roles. The evaluation and remuneration are appropriately calculated considering the company's main-oriented values and business performance, which promotes the effective operation of the BOD and the company's continuous growth.

Remuneration of Registered Directors in 2022

Classification	Member	Total Remuneration ¹⁾	Average Remuneration per Capita	Remuneration Criteria	Remarks
Inside Director	3	5,543,117	1,385,779	<ul style="list-style-type: none"> Determination by the Remuneration Committee within the limit concluded at the shareholders' meeting²⁾ - Salary: Considering basic salary, position, and contribution to the company - Bonus: Considering corporate annual operating performance, leadership, and contribution to the company - Welfare benefits: According to welfare benefits regulations 	<ul style="list-style-type: none"> * Total remuneration / Average remuneration: Based on 4 members including Jin-sung Lee, a retired executive
Outside Director (excl. Audit Committee member)	2	146,200	73,100	<ul style="list-style-type: none"> Determination by the Remuneration Committee within the limit concluded at the shareholders' meeting - Welfare benefits: According to welfare benefits regulations 	
Audit Committee member	3	237,300	79,100		

1) As of the end of 2022

2) Remuneration limit for executives approved at the shareholders' meeting: KRW 6 billion (excluding retirement income)

* The total amount of remuneration for registered directors includes remuneration during tenure as unregistered executives and retirement income of retired executives.

Ratio of CEO's Total Annual Compensation to Employees in 2022

(Unit: %)

Classification	2022	YoY Increase
Total compensation for the CEO	24.16	10.6
Employee compensation (median) ¹⁾	0.57	7.3
Multiple	42.39	1.45

1) Median of employee remuneration is subject to employees with an unspecified period (excluding the highest annual salary, registered executives, and fixed-term workers)

Remuneration for 3 Years

Classification	Item	Unit	Year		
			2020	2021	2022
Remuneration for the BOD ²⁾	Number of members	Persons	8	8	8
	Total remuneration ¹⁾	KRW in millions	5,945	5,410	5,927
	Average remuneration per member	KRW in millions	743	676	741

1) The total amount of remuneration for registered directors includes remuneration during tenure as unregistered executives and retirement income of retired executives.

2) The number of BOD members is as of December 31, 2022, and the average remuneration per member was calculated as the average number of salaries from January to December.

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Corporate Governance Policy

CEO Succession Policy

Pursuant to Article 36 of the Company’s Articles of Incorporation and Article 5.5.3 of the Board of Directors Management Regulations, the selection of the CEO is the authority of the BOD, and a systematic succession policy has been established and operated. Our Human Resources Management Department annually selects and manages candidates for CEO based on a systematic internal evaluation and development process and reviews and recommends the final candidates to the BOD before the expiration of the CEO’s term. The BOD comprehensively considers the expertise and leadership of the recommended candidates and selects the best person to be elected as an inside director at the general meeting of shareholders. After the appointment of an inside director by the shareholders’ meeting, the BOD appoints him/her as CEO by resolution, and the management succession process ends. The CEO must have a management philosophy, present a clear vision, and possess excellent leadership and organizational management capabilities to create management performance. To identify, verify, and nurture the capabilities of candidates, the Company establishes a succession policy through inter-organizational collaboration under the leadership of the Human Resources Management Department. In the event of an emergency in which the CEO cannot fulfill his/her duties due to personal reasons or leave of absence, the Articles of Incorporation stipulate that the CEO may assume his/her duties per the order of succession established by the BOD. In addition, to ensure continuity and stability of management until the CEO candidate is elected as an inside director at the general meeting of shareholders, the former CEO is usually appointed as a consultant to support stable management succession. We operate a sophisticated assessment, training, and career development program to foster candidates who meet the qualifications for the position of CEO. We operate the “Pre-CEO Course” for candidates who can make an immediate impact within one to two years and the “Core Talent Development Course” to cultivate strategic thinking, leadership, and management skills for long-term future management candidates.

Corporate Governance Charter

LOTTE WELLFOOD established the Corporate Governance Charter in May 2021 to disclose its intention to operate transparent corporate governance and its history to stakeholders and discloses it on its website. The Corporate Governance Charter consists of five chapters, including management monitoring by shareholders, the BOD, audit organizations, stakeholders, and the market, as well as the company’s articles of incorporation, board of directors, and committee regulations. In April 2022, we revised the Charter by adding a provision stipulating that we will not appoint persons responsible for damaging corporate value or violating shareholder rights and interests as directors, strengthening the soundness of corporate governance and shareholder value. LOTTE WELLFOOD will strive to build a transparent and fair governance structure and increase stakeholder trust.

 [2022 Corporate Governance Report](#)

 [Corporate Governance Charter](#)

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Shareholder Rights

General Meeting of Shareholders

In February 2021, the Board of Directors approved the introduction of an electronic voting system for the 4th Annual General Meeting of Shareholders, which has been in effect since March 2021, in order to facilitate shareholders' exercise of their voting rights. In addition, shareholders were encouraged to exercise their proxy voting rights before the meeting in order to facilitate the smooth conduct of the meeting and secure the required quorum. For the convenience of our shareholders, we have dispersed the dates of the AGMs, and we provide notice of the meeting two weeks prior to the meeting. We also mail the notice of the meeting to shareholders who own less than one-hundredth of the total number of shares entitled to vote, send a translated notice of the meeting to foreign major shareholders, and announce it through the Financial Supervisory Service, the electronic disclosure system of the Korea Exchange, and our website. In addition, we disclose the ratio of votes for and against each agenda item and the specific voting results of the general meetings of shareholders held from the beginning of the business year to the date of submission of the disclosure documents on our website.

Extraordinary General Meeting of Shareholders

LOTTE CONFECTIONERY held an extraordinary general meeting of shareholders on May 27, 2022, with 89.3% of the total number of outstanding shares with voting rights (6,416,717 shares) in attendance. In order to develop into a comprehensive food company that provides greater value to consumers, the meeting approved the merger agreement to absorb and merge LOTTE FOODS effective July 1, 2022, and certain changes to the Articles of Incorporation. The meeting also resolved to appoint new directors and auditors as a result of the merger and to reduce capital reserves by KRW 360 billion to enhance shareholder value through more aggressive dividend payments. In addition, to protect shareholders' rights, we granted shareholders who opposed the merger the right to request the purchase of shares.

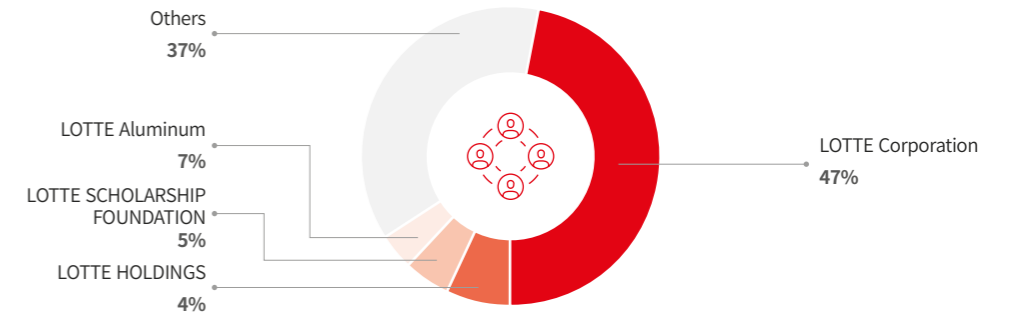
Classification	Merger Value (per share)	Merger Ratio	Total Assets*
LOTTE CONFECTIONERY (surviving corporation)	KRW 114,795	1	KRW 2,730.6 billion
LOTTE FOOD (amalgamated corporation)	KRW 322,020	2.8051744	KRW 1,365.7 billion

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

Transparent Disclosure

LOTTE WELLFOOD endeavors to provide accurate and timely information to shareholders and market stakeholders on all aspects of company management. In order to ensure that shareholders can fully exercise their rights at the General Meeting of Shareholders, the meeting is announced with sufficient information within a period that exceeds the statutory deadline for convening the meeting. In addition, when the Board of Directors makes decisions on major management matters or when facts arise that may significantly impact investment judgment, we immediately disclose them to the market. As of the end of December 2022, the largest shareholder is LOTTE Holdings, Ltd., with a shareholding of 47.47%, and the shareholding of related parties totaled 70.13%.

Ownership



[Shareholder Information and Dividend Policy](#)

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Shareholder Rights

Shareholder and Investor Communications

LOTTE WELLFOOD strives to provide timely corporate information to stakeholders, including shareholders and investors. LOTTE WELLFOOD has an IR team within the Financial Strategy Division in charge of shareholder communication, and we post IR materials on our website every quarter to announce earnings. In addition, we answer investors' questions and listen to their needs through corporate presentations and non-deal roadshows (NDRs) for major domestic and foreign institutional investors. We communicate with analysts and individual investors through meetings from time to time. In particular, we have expanded communication through non-face-to-face methods such as video conferencing and conference calls for the convenience of shareholders. We also disclose relevant announcements in Korean and English for the convenience of domestic and foreign shareholders. The total number of IRs held in 2022 was 14.

Activity	Year		
	2020	2021	2022
Number of IR conference held (times)	4	8	14
Introduction of electronic voting system	Introduced	Introduced	Introduced
Dividend policy disclosure	Undisclosed	Disclosed	Disclosed
Notice of agenda before shareholders' meeting	Noticed	Noticed	Noticed

Shareholder Return for 3 Years

FY	Settle-ment Month	Kind	Share Divi-dend	Dividend per Share ¹⁾ (KRW)	Total Dividend (KRW in millions)	Dividend Yield ²⁾	Dividend Propensity ³⁾	
							Consoli-dated	Separate
2022	12	Common	-	2,300	20,355	1.8%	46.3%	108.7%
2021	12	Common	-	1,600	10,259	1.3%	28.2%	33.8%
2020	12	Common	-	1,600	10,259	1.6%	24.6%	28.1%

1) Total payment per year per share

2) Ratio of dividend per share to the arithmetic average price of the final price formed in the exchange market for the past one week from two trading days prior to the closing date of the shareholder register

3) Total dividends / consolidated or separate net profit

* The above total dividends are the amount excluding treasury stocks (4,578 shares in 2020 and 2021 / 593,307 shares in 2022)

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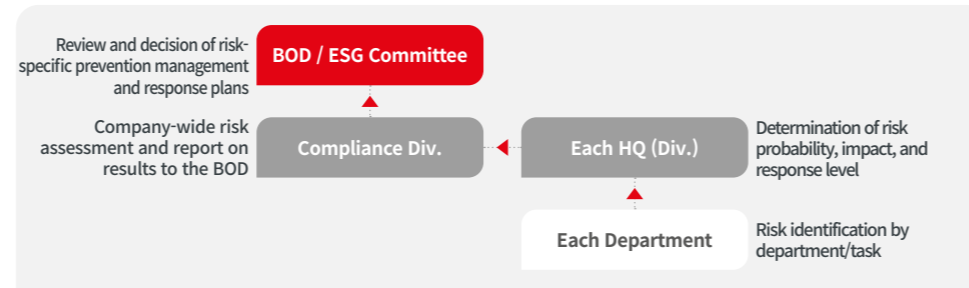
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Risk

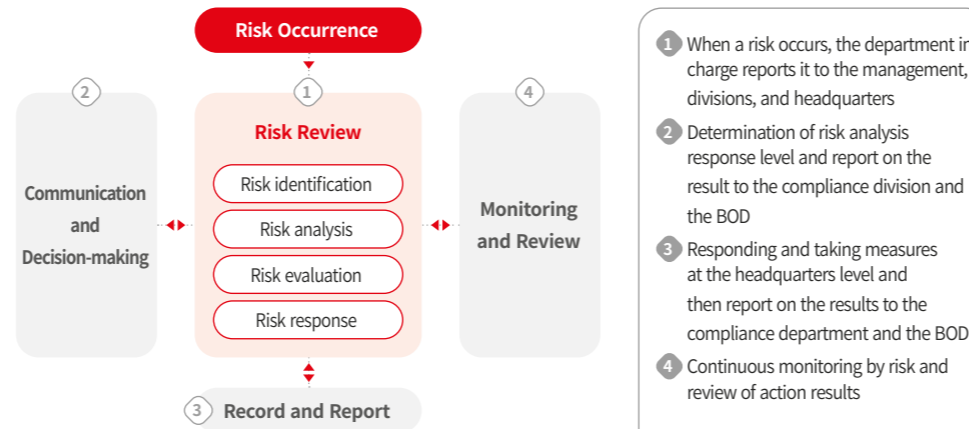
Risk Management

LOTTE WELLFOOD conducts annual risk assessments in the Compliance Division, sets risk control targets, and monitors them with risk officers in each department. An examination of residual risks follows the implementation of risk controls. The ESG Committee, established in October 2021, has voting rights on ESG risk reviews. Each on-the-ground department and division conducts monitoring for risk prevention, and those that require a decision are managed company-wide through the Board of Directors and the ESG Committee.

Risk Management System



Risk Response Process



Response to Mid- to Long-term Core Risks and Emerging Risks

Kind	Details	Response
Financial risk	Risk from changes in exchange rates, interest rates and liquidity	• Establishment of foreign exchange risk management policy
	Impact on corporate financial stability and credit	• Management of foreign exchange loss within the permissible range through a foreign exchange risk management model
Market risk	Raw material price fluctuations and increase in supply difficulty	• Consistent monitoring of raw materials • Diversification of partners to prevent supply and demand issues
	Demographic change	• Product research and launch considering market trends
Non-financial risk	Changes in trends and customer needs	• Establishment of life cycle product portfolio and enhancement of H&W brand
	Occurrence of safety accidents and damage to business sites due to natural disasters	• Regular workplace safety inspection
	Changes in the price of carbon credits	• Regular monitoring of emissions market • Energy saving and carbon emission control at all sites
Compliance risk	Reinforcement of environmental laws and regulations	• Monitoring of laws and operation of self-management standards that exceed legal standards
	Violation of ethics regulations and occurrence of corruption	• Obtainment of ISO 37301 certification
	Sanctions on business activity due to violation of laws and regulations	• Compliance training for employees • Regular due diligence

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Compliance / Ethical Management

Compliance Management System

In January 2023, LOTTE WELLFOOD was certified as a Compliance Management System (ISO37301) to identify and control compliance-related risks that may arise throughout the company's operations. This certification covers a broader range of company-wide compliance management risks and the anti-corruption content of the Anti-Corruption Management System (ISO37001), the first in the confectionery industry to be certified in 2019. Through this, we are building a management covering overall compliance risks, including anti-corruption and fair trade.



Compliance and Ethics Management System

LOTTE WELLFOOD operates the Compliance Division, an organization dedicated to ethical and compliance management, to comprehensively monitor and respond to compliance risks inside and outside the company. We also operate the Internal Audit Office under the Audit Committee to strengthen internal control.



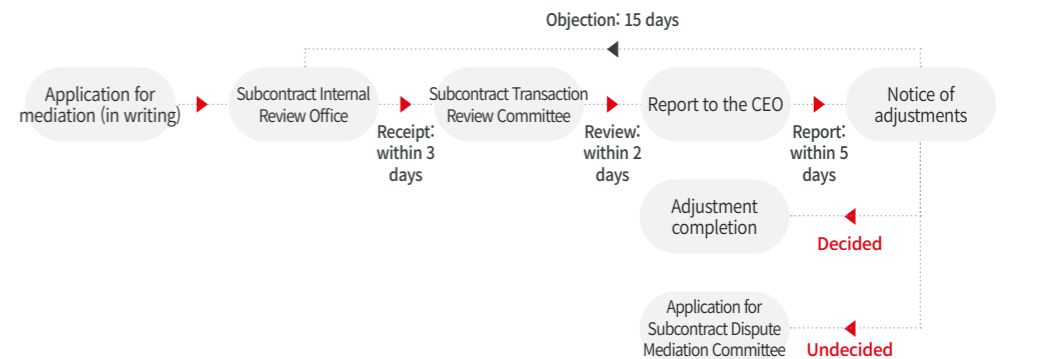
Subcontracting Management

In January 2010, LOTTE WELLFOOD established the “Subcontracting Transaction and Fairness Management Regulations” to stipulate the operation and deliberation matters of the committee. By the regulations, the Subcontracting Transaction Review Committee was established and operated, and in 2022, the committee held 12 meetings and deliberated on 17 issues. The committee reviews the payment procedures, payment dates, and payment methods for all subcontracting transactions every quarter, and establishes and complies with business regulations to manage objectivity and legal compliance issues that may arise during the calculation and deliberation of damages and disputes in the course of transactions. Besides, LOTTE WELLFOOD specifies the procedure for compensation for damages due to non-fulfillment of contracts in the business regulations, to adjust various disputes that may arise between partners promptly.

Compensation Process



Dispute Resolution Process



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Compliance / Ethical Management

Ethical management

As the scope of operations and the complexity of systems increase with the growth of a company, the importance of ethical management has been emphasized in order to respond to the risks of business activities from an ethical perspective. Following the merger with LOTTE FOODS, LOTTE WELLFOOD conducted a comprehensive company-wide ethical management diagnosis, confirming compliance with regulations related to business procedures and inspection standards for violation reporting channel was properly implemented. In the future, we plan to take measures such as diversifying sales diagnosis tools and expanding production site diagnosis. We also plan to respond to ethical issues by identifying cases to prevent recurrence after business improvements and establishing inspection standards for each issue. LOTTE WELLFOOD aims to share trust and value with customers, employees, partners, and shareholders through our ethical management. To this end, we plan to build ethical relationships based on the Code of Ethics and LOTTE's Code of Conduct and actively respond to issues identified through the comprehensive diagnosis of ethical management. LOTTE WELLFOOD aims to become a world-class company by strengthening our ethical management and developing stronger relationships with various stakeholders.

Classification	Item	Unit	Year		
			2020	2021	2022
Audit	Audit activities	Cases	4	4	4
Confirmed violation cases and actions taken	Total number of business sites ¹⁾	Sites	36	36	50
	Business sites subject to norm violation evaluation ²⁾	Sites	36	36	50
	Percentage of business sites	%	100	100	100
Cases of significant legal and regulatory violations ³⁾	Total	Cases	0	0	0
	Cases subject to monetary sanctions	Cases	0	0	0
	Cases subject to non-monetary sanctions	Cases	0	0	0
Number of employees who received training	Compliance training	Persons	1,125	1,069	461
	Others (new employee training, group code of conduct training, etc.)	Persons	770	495	1,560
	Total	Persons	1,895	1,564	2,021

1) Change in the number of business sites: Increase in the total number of business sites due to the merger

2) Since 2022, evaluation on norms violation (including corruption and unfair trade practices) has been conducted based on ISO 37301.

3) We classify violations that result in criminal penalties or affect negative impact on financial statements as a significant violation.

Compliance Policy

LOTTE WELLFOODS established and declared the following anti-corruption and compliance policies, in order to practice ethical management compliance management.

- 1 When conducting business, we shall comply with all compliance obligations, including relevant laws, regulations, and procedures.
- 2 The Company shall practice ethical and transparent management by establishing and continuously improving the anti-corruption and compliance management system.
- 3 We establish goals centered on the Compliance Officer and continuously operate and improve the Compliance Management System to implement them.
- 4 We shall notify the Company immediately upon discovering any compliance violation, including corruption, and the Company shall protect the reporter from being disadvantaged..
- 5 The Company shall apply the principle of zero tolerance to violations of compliance obligations, including corrupt employee behavior.
- 6 The Company shall disclose this Policy and establish a communication channel so that changes in the environment and the compliance requirements of stakeholders can be reflected at all times.



Communication Response System

Criteria	Major Issues	Responsible Department
Critical case	Personal corruption, supplier complaints, sexual harassment/harassment in the workplace	Ethical Management Team
Minor case	Sales activities, customer complaints, and response to customer inquiries	Self-Investigation (Each Department) / Feedback (Ethical Management Team)

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Tax Risk Management

Tax risk management strategies

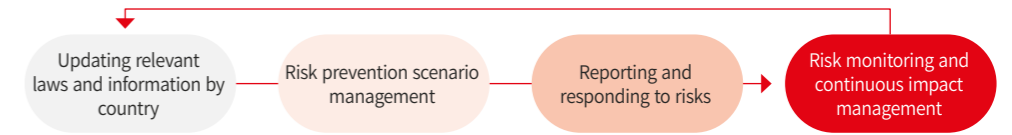
Complying with tax laws and fulfilling all tax obligations in good faith is one of our corporate social responsibilities, both for the benefit of our customers and to contribute to national finances. LOTTE WELLFOOD has established the following tax strategy to fulfill its tax obligations in good faith and to ensure that each legal entity complies with the tax laws of its country. First, each subsidiary conducts all domestic and foreign transactions in accordance with their respective countries' tax laws and regulations.

We also promote tax fairness by faithfully fulfilling our taxpayer obligations, such as submitting data required by each country's tax laws and regulations. In addition, we strictly prohibit the operation of legal entities for the purpose of tax evasion or the transfer of income to tax havens. LOTTE WELLFOOD discloses tax information through external disclosures and ensures transparency by providing detailed information such as the basis for calculating income tax expense, the composition of income tax expense, and the tax rate in the financial statements and notes to the financial statements in the auditor's report. We also proactively manage tax risks by consulting with independent tax experts. Through these tax strategies, LOTTE WELLFOOD practices sincere fulfillment of tax obligations and compliance with tax laws and pursues transparent and ethical corporate management.

Tax Risk Management Status

LOTTE WELLFOOD recognizes that the development and implementation of a tax strategy is crucial to managing risk, both financially and in terms of sustainability. In order to proactively manage tax risks, LOTTE WELLFOOD's Accounting and Tax Department regularly monitors changes in tax legislation, identifying and analyzing possible impacts on the company. In addition, the system and procedures for tax-related work are clearly defined through LOTTE WELLFOOD's RCM (Risk Control Matrix) to strengthen management, and decision-making materials on tax issues are documented and archived. For issues of high importance, we manage tax risks based on the interpretation of votes through external consultations and preliminary inquiries with tax authorities. To reduce uncertainty due to the diversity of tax laws and systems in each country where we conduct business and the sophistication of systems to manage tax information, LOTTE WELLFOOD has a self-assessment process for proactive tax risk management and closely interacts with tax authorities to predict risks.

Tax Risk Management Process



Corporate Tax Expense by Country

Classification	Year		
	2020	2021	2022
Korea	13,518,097,992	14,857,504,927	568,650,957
China	(12,068,655)	-	-
Russia	(845,548,045)	(549,785,285)	(379,386,106)
Myanmar	-	-	-
India	(946,521,164)	1,882,883,437	4,465,794,103
Pakistan	1,648,358,937	(515,787,135)	(250,538,747)
Kazakhstan	6,278,169,739	5,726,489,498	6,189,460,875
Belgium	(1,100,271,195)	1,096,688,942	(256,552,897)
Singapore	-	-	-
Others	(4,319,499,933)	(4,729,477,221)	(2,710,686,075)
Total	14,220,717,676	17,768,517,163	7,626,742,110

Internal Accounting Management System

In accordance with 「Article 8 of the Act on External Audit of Stock Companies, etc. and Article 9 of the Enforcement Decree of the same Act」 and 「Article 6 of the Regulation on External Audit and Accounting, etc.」, the company has established an internal accounting management system. It specifies policies and procedures for the operation of a reasonable and effective internal accounting control system, thereby contributing to securing the accuracy and reliability of financial information.

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Governance

General

Summarized Separate Financial Statements

Classification	Unit	Year			
		2020	2021	2022	
Sales	Domestic	KRW in millions	1,434,752	1,441,644	2,300,606
	Overseas	KRW in millions	96,433	104,730	143,249
	Total	KRW in millions	1,531,185	1,546,374	2,443,855
Operating profit		KRW in millions	86,560	82,693	80,898
Net profit before tax		KRW in millions	50,046	45,216	19,509
Net profit		KRW in millions	36,528	30,359	18,708
Liabilities		KRW in millions	1,121,509	1,082,891	1,736,640
Equity		KRW in millions	1,226,856	1,247,780	2,021,849
Total assets		KRW in millions	2,348,365	2,330,671	3,758,489

Investment and R&D Expenses

Classification	Unit	Year			
		2020	2021	2022	
Environmental investment	Energy saving	KRW 100 million	16.8	13.6	69.3
	Investment in eco-friendly packaging equipment	KRW 100 million	0	25.4	0
	Total	KRW 100 million	16.8	39.0	69.3
R&D expenses	Manufacturing expenses for accounting purposes	KRW in millions	13,134	12,970	19,985
	Percentage of sales (R&D expenses / sales* 100)	%	0.63	0.60	0.63
Expenses for managing crisis and opportunities due to climate change	ISO 14001 examination fee	KRW in millions	18.1	24.8	15.5
	Cost for 3rd party GHG verification	KRW in millions	31.9	31.9	28
	Total	KRW in millions	50	56.7	43.5

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General

Distribution of Economic Performance

Classification	Unit	Year		
		2020	2021	2022
Dividends for shareholders	KRW in millions	10,259	10,259	20,335
Total tax (corporate tax)	KRW in millions	17,098	14,449	12,875
Total amount paid to employees (labor and welfare costs)	KRW in millions	284,999	290,157	382,971
Purchasing from suppliers	KRW in millions	565,122	600,026	1,591,375
Investment in local communities	KRW in millions	335	911	697
Payment based on coupon rate of bond	KRW in millions	16,167	13,780	19,799
Total economic performance distribution	KRW in millions	893,980	929,227	2,028,052



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GRI Content Index

The LOTTE WELLFOOD Sustainability Report was prepared in accordance with the GRI 2021 guidelines.

Statement of use	LOTTE WELLFOOD applied the GRI 2021 guidelines in reporting sustainability management for the period from January 1, 2022 to December 31, 2022.
GRI 1 Used	GRI : Foundation 2021
Applicable GRI Sector Standard(s)	N / A

General Disclosure

Classification	Topic	No.	Disclosure	Page	Remarks
Organization and reporting practices		2-1	Organizational details	19, 20	
		2-2	Entities included in the organization's sustainability reporting	20	Business Report 3p, 325-328p
		2-3	Reporting period, frequency and contact point	2	
		2-4	Restatements of information	19, 83, 104	Correction due to incorrect corporate tax data in 2021, correction due to reconfirmation of those subject to regular evaluation from 2020 to 2022, no re-description of previous data due to merger
		2-5	External assurance	2, 133	
Activities and workers	GRI 2: General Disclosures 2021	2-6	Activities, value chain and other business relationships	37	
		2-7	Employees	101, 102, 103	
		2-8	Workers who are not employees	101	
Governance		2-9	Governance structure and composition	108, 109, 110	
		2-10	Nomination and selection of the highest governance body	108, 109, 110	
		2-11	Chair of the highest governance body	108, 109, 110	
		2-12	Role of the highest governance body in overseeing the management of impacts	26, 108, 109, 110	
		2-13	Delegation of responsibility for managing impacts	26, 108, 109, 110	
		2-14	Role of the highest governance body in sustainability reporting	26, 32, 110, 111	
		2-15	Conflicts of interest	108, 109, 110	

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Classification	Topic	No.	Disclosure	Page	Remarks
Governance		2-16	Communication of critical concerns	108, 109	
		2-17	Collective knowledge of the highest governance body	108, 109, 110, 111	
		2-18	Evaluation of the performance of the highest governance body	27, 108, 109, 110, 111	
		2-19	Remuneration policies	108, 111	
		2-20	Process to determine remuneration	108, 111	
		2-21	Annual total compensation ratio	111	
Strategy, policy and practices	GRI 2: General Disclosures 2021	2-22	Statement on sustainable development strategy	15, 16, 17	
		2-23	Policy commitments	42, 77, 91, 92, 112, 115, 116, 127, 128	
		2-24	Embedding policy commitments	15, 17, 42, 77, 91, 92, 112, 115, 116, 127, 128	
		2-25	Processes to remediate negative impacts	95, 116	
		2-26	Mechanisms for seeking advice and raising concerns	95, 116	
		2-27	Compliance with laws and regulations	127	
		2-28	Membership associations	135	
		2-29	Approach to stakeholder engagement	30	
		2-30	Collective bargaining agreements	93, 104	
		Stakeholder engagement			

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Report on Material Issues

Classification	Topic	No.	Disclosure	Page	Remarks
Materiality	GRI 3:	3-1	Process to determine material topics	32, 33, 34, 35	
	Material Topics 2021	3-2	List of material topics	32, 33, 34, 35	
1. Sustainable Value Chain	Material Topics 2021	3-3	Management of material topics	36-37	
	Raw materials	301-1	Materials used by weight or volume	37-41, 82-83	
2. Wholesome & Reliable	Material Topics 2021	3-3	Management of material topics	44, 45, 48	
	Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	45	
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	105	
	Marketing and labeling	417-1	Requirements for product and service information and labeling	46	
		417-2	Incidents of non-compliance concerning product and service information and labeling	105	
3. Driving Beyond	Material Topics 2021	3-3	Management of material topics	51-52	
	Economic Performance	201-1	Direct economic value generated and distributed	119-120	
	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	52, 53, 54, 55, 56	
		203-2	Significant indirect economic impacts	52, 53, 54, 55, 56	
4. Action Against Climate Change	Material Topics 2021	3-3	Management of material topics	57-63	
	Energy	302-3	Energy intensity	62, 79	
	Emissions	305-4	GHG emissions intensity	62	
5. Social Responsibility	Material Topics 2021	3-3	Management of material topics	64-69	
	Local community	413-1	Operations with local community engagement, impact assessments, and development programs	64-69	

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Classification	Topic	No.	Disclosure	Page	Remarks
6. Safety as a Priority	Material Topics 2021	3-3	Management of material topics	70-74	
	Occupational health and safety	403-1	Occupational health and safety management system	71	
		403-2	Hazard identification, risk assessment, and incident investigation	71-75	
		403-3	Occupational health services	71-75	
		403-4	Worker participation, consultation, and communication on occupational health and safety	72, 104	
		403-5	Worker training on occupational health and safety	72, 104	
		403-6	Promotion of worker health	71-75	
		403-7	Prevention and mitigation of occupational health and safety impact directly linked by business relationships	71-75	
		403-8	Workers covered by an occupational health and safety management system	71	
		403-9	Work-related injuries	104	
		403-10	Work-related ill health	104	

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Topic-specific Disclosures

Classification	Topic	No.	Disclosure	Page	Remarks
Economics topics	GRI 201 : Economic Performance 2016	201-1	Direct economic value generated and distributed	119, 120	Annual Report 12-22p
		201-2	Financial implications and other risks and opportunities due to climate change	61, 62	
		201-3	Defined benefit plan obligations and other retirement plans	-	
		201-4	Financial assistance received from government	-	
	GRI 202 : Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	103	
		202-2	Proportion of senior management hired from the local community	-	
	GRI 203 : Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	52, 53, 54, 55, 56	
		203-2	Significant indirect economic impacts	52, 53, 54, 55, 56	
	GRI 204 : Procurement Practices 2016	204-1	Proportion of spending on local suppliers	-	
	GRI 205 : Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	105, 116, 127	
		205-2	Communication and training about anti-corruption policies and procedures	105, 116, 127	
		205-3	Confirmed incidents of corruption and actions taken	105, 116, 127	
	GRI 206 : Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	116	
	GRI 207 : Tax 2019	207-1	Approach to tax	118	
		207-2	Tax governance, control, and risk management	118	
		207-3	Stakeholder engagement and management of concerns related to tax	118	
		207-4	Country-by-country reporting	-	
	GRI 301 : Materials 2016	301-1	Materials used by weight or volume	37-41, 82-83	
		301-2	Recycled input materials used	-	
		301-3	Reclaimed products and their packaging materials	-	
	GRI 302 : Energy 2016	302-1	Energy consumption within the organization	62, 79	
		302-2	Energy consumption outside of the organization		
		302-3	Energy intensity	62, 79	
302-4		Reduction of energy consumption	79		
302-5		Reduction in energy requirements of products and services	-		

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Classification	Topic	No.	Disclosure	Page	Remarks
Economics topics	GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	80	
		303-2	Management of water discharge-related impacts	80	
		303-3	Water withdrawal	-	
		303-4	Water discharge	-	
		303-5	Water consumption	80	
	GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	
		304-2	Significant impacts of activities, products, and services on biodiversity	-	
		304-3	Habitats protected or restored	-	
		304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	
	GRI 305: Emissions 2016	305-1	Direct(Scope 1) GHG emissions	62, 79	
		305-2	Energy indirect(Scope 2) GHG emissions	62, 79	
		305-3	Other indirect (Scope 3) GHG emissions	-	
		305-4	GHG emissions intensity	62	
		305-5	Reduction of GHG emissions	62	
		305-6	Emissions of ozone-depleting substances (ODS)	81	
305-7		Nitrogen oxides(NOx), sulfur oxides(SOx), and other significant emissions	81		
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	83		
	306-2	Management of significant waste-related impacts	83		
	306-3	Waste generated	83		
	306-4	Waste diverted from disposal	83		
	306-5	Waste directed to disposal	-		
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	42-43		
	308-2	Negative environmental impacts in the supply chain and actions taken	-		

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Classification	Topic	No.	Disclosure	Page	Remarks
Social topics	GRI 401 : Employment 2016	401-1	New hires and employee turnover	102	
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	95	
		401-3	Parental leave	103	
	GRI 402 : Labor / Management Relations 2016	402-1	Minimum notice periods regarding operational changes	-	
		403-1	Occupational health and safety management system	71	
	GRI 403 : Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	71-74	
		403-3	Occupational health services	71-74	
		403-4	Worker participation, consultation, and communication on occupational health and safety	72, 104	
		403-5	Worker training on occupational health and safety	72, 104	
		403-6	Promotion of worker health	71-74	
		403-7	Prevention and mitigation of occupational health and safety impact directly linked by business relationships	71-74	
		403-8	Workers covered by an occupational health and safety management system	71	
		403-9	Work-related injuries	-	
		403-10	Work-related ill health	104	
		GRI 404 : Training and Education 2016	404-1	Average hours of training per year per employee	100
	404-2		Programs for upgrading employee skills and transition assistance programs	98, 100	
	404-3		Percentage of employees receiving regular performance and career development reviews	104	
	GRI 405 : Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	103	
		405-2	Ratio of basic salary and remuneration of women to men	103	
	GRI 406 : Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	-	
GRI 407 : Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-		
GRI 408 : Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-		
GRI 409 : Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-		

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Classification	Topic	No.	Disclosure	Page	Remarks
Social topics	GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	-	
	GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	-	
	GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	66-69	
		413-2	Operations with significant actual and potential negative impacts on local communities	-	
	GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	43	
		414-2	Negative social impacts in the supply chain and actions taken	-	
	GRI 415: Public Policy 2016	415-1	Political contributions	-	
	GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	45	
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	105	
	GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	46	
		417-2	Incidents of non-compliance concerning product and service information and labeling	105	
		417-3	Incidents of non-compliance concerning marketing communications	105	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	90		



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SASB(1 / 2)

Based on the sustainable industry classification system of the Sustainability Accounting Standards Board (SASB), LOTTE WELLFOOD discloses sustainability information for the Processed Foods sector.

Topic	Metrics	Category	Unit of Measure	Code	Page				
Energy Management	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (GJ)	FB-PF-130a.1	79				
			Percentage (%)						
Water Management	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic metres (m ³)	FB-PF-140a.1	80				
			Percentage (%)						
			Number						
Food Safety	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Quantitative	Number	FB-PF-140a.2	-				
			Percentage (%)						
Food Safety	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion	n/a	FB-PF-140a.3	80				
			Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances			Quantitative	Rate	FB-PF-250a.1	105
			Percentage of ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognised food safety certification program			Quantitative	Cost	FB-PF-250a.2	-
			Percentage (%)						
Health & Nutrition	(1) Total number of notices of food safety violation received, (2) percentage corrected	Quantitative	Number	FB-PF-250a.3	105				
			Percentage (%)						
Health & Nutrition	(1) Number of recalls issued and (2) total amount of food product recalled1	Quantitative	Number, Metric tons (t)	FB-PF-250a.4	105				
			Percentage (%)						
Health & Nutrition	Revenue from products labelled and/or marketed to promote health and nutrition attributes	Quantitative	Presentation currency	FB-PF-260a.1	105				
			Percentage (%)						
Health & Nutrition	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	Discussion	n/a	FB-PF-260a.2	47, 48, 49				
			Percentage (%)						

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Topic	Metrics	Category	Unit of Measure	Code	Page
Product Labelling & Marketing	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines	Quantitative	Percentage (%)	FB-PF-270a.1	-
	Revenue from products labelled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Quantitative	Presentation currency	FB-PF-270a.2	-
	Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	Quantitative	Number	FB-PF-270a.3	105
	Total amount of monetary losses as a result of legal proceedings associated with labelling and/or marketing practices	Quantitative	Presentation currency	FB-PF-270a.4	117
Packaging Lifecycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	Quantitative	Metric tons (t) Percentage (%)	FB-PF-410a.1	38
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion	n/a	FB-PF-410a.2	38, 39, 40, 41
Environmental & Social Impacts of Ingredient Supply Chain	Percentage of food ingredients sourced that are certified to third-party environmental or social standards, and percentages by standard	Quantitative	Cost Percentage (%)	FB-PF-430a.1	37, 83
	Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Quantitative	Rate	FB-PF-430a.2	-
Ingredient Sourcing	Percentage of food ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Cost Percentage (%)	FB-PF-440a.1	-
	List of priority food ingredients and discussion of sourcing risks related to environmental and social considerations	Discussion	n/a	FB-PF-440a.2	-



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TCFD Content Index

TCFD

Based on the TCFD recommendations, LOTTE WELLFOOD plans to disclose the response system, strategy, management status, indicators, and goals for climate change risks and opportunities every year.

Topic	TCFD Recommendation	Page
Governance	a. Describe the board's oversight of climate-related risks and opportunities	58
	b. Describe management's role in assessing and managing climate-related risks and opportunities	58
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	60
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	61
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	-
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks	59
	b. Describe the organization's processes for managing climate-related risks	60
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	59
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	62
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	62
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	62

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Independent Assurance Statement

Dear Management and Stakeholders of Lotte Wellfood

Introduction

The Korean Standards Association (“KSA”) was commissioned by Lotte Wellfood to perform a third-party Assurance Engagement of ‘2022 Lotte Wellfood Sustainability Report’ (the “report”). KSA presents independent opinions as follows as a result of feasibility of the data contained in this report. Lotte Wellfood has sole responsibility for content and performance contained in this report.

Independence

As an independent assurance agency, KSA does not have any kinds of commercial interest in businesses of Lotte Wellfood apart from undertaking a third-party assurance on the report. We have no other contract with Lotte Wellfood that may undermine credibility and integrity as an independent assurance agency.

Assurance Standards and Level

This Assurance Engagement followed the AA1000AS v3 assurance standards to provide Moderate Level assurance. We checked the four principles of inclusivity, materiality, responsiveness and impact in combination with information credibility of the report. We also reviewed Universal Standard and Topic Specific Standard whether the report content was created in accordance with the GRI Standards.

Assurance Type and Scope

Assurance Provider performed Type2 assurance that assessed compliance with four principles of AA1000AP (AccountAbility Principles) 2018, as well as the accuracy and reliability of performance information contained in the report.

Topic-specific Standards

- Economic : 201-1, 201-2, 203-1, 203-2
- Environmental : 301-1, 302-1, 302-3, 303-1, 303-2, 303-5, 305-1, 305-2, 305-4, 305-5, 306-1, 306-2, 306-3, 306-4
- Social : 401-1, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 404-1, 404-2, 404-3, 405-1, 405-2, 413-1, 416-1, 416-2, 417-1, 417-2

The assurance scope is from January 1 2022 to December 31 2022 and the assurance focused on systems and activities including policies and goals, businesses and programs, standards, and achievements of the Lotte Wellfood’s sustainability management. While the company’s environmental and social data as well as financial data was verified, the scope of review concerning stakeholder engagement was limited to the materiality assessment process.

Assurance Methodology

We used the following methods to gather information, documents and evidence with respect to the assurance scope.

- Confirmation of Lotte Wellfood’s stakeholder participation and materiality assessment process by sustainability expert.
- Analyses of articles related to Lotte Wellfood’s sustainability management published by domestic media outlets
- Review of the consistency between the financial performance data and the company’s audit report/publicly announced data by Certified Public Accountant.
- Verification of consistency between environmental information disclosure data and information provided by an Greenhouse Gas Verification Examiner
- Examination of internal documents and basic materials

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Independent Assurance Statement

Assurance Results and Opinions

KSA reviewed the draft version of this report to present our opinions as an assurance provider. Modifications were made of the report content if deemed necessary. We were not aware of any significant errors or inappropriate descriptions in this report as a result of our Assurance Engagement. As such, we present our opinions of the 2022 Lotte Wellfood Sustainability Report as follows.

Inclusivity

- Has Lotte Wellfood engaged its stakeholders in strategically responding to sustainability?

KSA believe Lotte Wellfood is aware of the importance of stakeholder participation and is making an all-out effort to establish a process that will increase their participation. Lotte Wellfood has selected stakeholders including customers, shareholders/investors, communities/NGOs, governments//media/associations etc to receive diverse feedbacks and opinions.

Materiality

- Has Lotte Wellfood included material information in the report to help stakeholders make informed decisions?

We are not aware of any significant omissions or exclusions of data that is material to stakeholders. We verified that Lotte Wellfood conducted materiality assessment with issues identified from analyses of internal and external environments and reported according to the result.

Responsiveness

- Has Lotte Wellfood appropriately responded to stakeholder requirements and interest in this report?

We verified that Lotte Wellfood responded stakeholders' needs and interests through reflecting stakeholders' opinions in the report. We are not aware of any evidence that Lotte Wellfood's response to significant issues of stakeholders was reported inappropriately.

Impact

- Has Lotte Wellfood appropriately monitored its impact on the stakeholders?

We verified that the Company is monitoring and assessing its impact on the stakeholders by conducting an enhanced verification of its standard business activities. Furthermore, it has been verified that the Company appropriately publishes its findings in the report.

Reliability and quality of specified performance information

- Has Lotte Wellfood appropriately collected and disclosed specified performance information based on reliable process?

The assurance provider performed a reliability assurance of the sustainability performance information on the subject of Type 2 assurance. To assure this information, interviews were conducted with relevant personnel, and it was determined that the performance information disclosed in the report was collected and disclosed based on a reliable process and evidence. Additionally, no evidence was found indicating that specific sustainability information was inaccurately reported.

GRI Standards Disclosure

We confirmed that this report was prepared in accordance with GRI Standards. Based on data Lotte Wellfood provided, we also confirmed a validity of the contents related to Universal Standards and Topic Standards.

June 2023

Myung Soo Kang

KSA Chairman & CEO



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GHG Verification Statement

LOTTE WELLFOOD CO.,LTD.

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

SCOPE

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

STANDARDS

- ISO 14064-1:2006, ISO 14064-3:2006
- IPCC Guidelines for National Greenhouse Gas Inventories (2006)
- Guidelines for Reporting and Certification of Emissions in the Greenhouse Gas Emissions Trading Scheme

LIMITATIONS

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



RESULTS

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

GHGs Emission	Direct emission (Scope1)	Indirect emission (Scope2)	Total (tCO ₂ -eq)
2022	64,891	152,151	216,952

(Unit: tCO₂-eq / yr)

Energy Consumption	Fuel	Electricity	Steam	Total (TJ)
2022	1,230	3,024	210	4,379

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

June 9th, 2023



Authorized By E. J Hwang
CEO Eun Ju Hwang

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Association Membership and Awards

Association Membership and Awards

Association Membership

Korea Food Industry Association	Korea Health Functional Food Association	Korea Foundation for Quality
Korea Advertisers Association	Korea Listed Company Council	Korea Employers Federation
Federation of Korean Industries	Korea IR Council	Korea Fire Safety Institute
Korea Meat Industries Association	Korea Dairy Processing Association	Korea Bakery Association
Korea Craftsman Association	Korea Confectionery Technology Management Research Council	Korea Aseptic Carton Recycling Association
Korea Chamber of Commerce and Industry	Korea Industrial Safety Association	

Awards

Awards and Milestones		Remarks
2020	• Opened Food With Co., Ltd., a subsidiary-type standard workplace for the disabled	Former) LOTTE FOOD Jun.
	• Became the first in the industry to provide eco-friendly electric vehicles to all sales staff	Former) LOTTE FOOD May
	• Completed the production facility expansion project at Gimcheon plant	Former) LOTTE FOOD Jun.
2021	• LOTTE CONFECTIONERY declared 'Sweet ESG Management'	Jul.
	• Safety and health management system (ISO45001) certification	Dec.
2022	• Established a separate corporation for 'Lotte Fresh Delica', a subsidiary	Former) LOTTE FOOD Dec.
	• Use of the Rainforest Alliance (RA) certified vanilla bean and MOU for vanilla flavoring technology	Former) LOTTE FOOD Jan.
	• Established an integrated corporation through the merger of LOTTE CONFECTIONERY and LOTTE FOOD	Jul.
	• Signed a business agreement with Aspire Food Group for partnership and business expansion in the alternative protein industry	Aug.
	• Signed a business agreement with Hyundai Oilbank for a joint bio project to expand eco-friendly energy production	Aug.
	• Signed a business agreement with the Korean Dental Association for the 'Healthy Teeth Korea' campaign	Aug.
	• Received a commendation from the Minister of Trade, Industry and Energy at the '2022 Sustainable Management Merit Government Award'	Dec.
• Received a commendation from the Minister of Food and Drug Safety in recognition of contributions to export expansion of canned ham	Dec.	
• Received the Minister of Environment Award at the 12th Green Packaging Contest	Dec.	

Published by

ESG Team Joong-kyung Han, Jeong-seon Han, Jin-a Lee, Seon-hong Park



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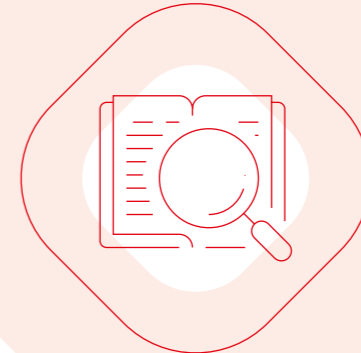
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Forward-looking Statements



LOTTE WELLFOOD's 2022 Sustainability Report contains forward-looking statements, which are recommended to be considered when making decisions related to the company. 

Forward-looking statements are made based on expectations and assumptions about the future and are not guarantees of future performance. For example, expressions such as 'will', 'aim', 'expect', 'anticipate', 'plan', 'believe', and 'prospect' within the text are used to identify forward-looking statements. In the report, a variety of information is provided, including LOTTE WELLFOOD's goal to reduce greenhouse gas emissions and matters related to climate change.

Because forward-looking statements are subject to risks and uncertainties, these statements address important factors. If LOTTE WELLFOOD's products and brands do not meet customer preferences, factors that may affect that outcome include our ability to innovate and remain competitive, our investment choices to manage our portfolio, the impact of climate change, and sustainable plastics. Ability to develop packaging materials, significant changes in customer relationships, recruitment and retention of talent, supply chain management risks and disruptions in distribution, growth and volatility in raw material and commodity prices, ability to produce high-quality, safe products, reliable digital infrastructure, entry into new businesses and acquisitions; These include separation, implementation of business transformation projects, management of economic, social and political risks and climate change, natural disasters, financial risks, failure to meet legal/ethical standards, regulatory and tax issues.

These forward-looking statements speak only as of the date of this document. Actual results may differ from those discussed in these statements depending on a number of factors and uncertainties.



