



HOTEL LOTTE
1973 & HOTEL LOTTE 50th anniversary

2022 HOTEL LOTTE Sustainability Report

ABOUT THIS REPORT

REPORT OVERVIEW

This is Hotel Lotte's first sustainability report prepared according to the GRI Standards. Hotel Lotte has published the report to disclose its sustainability performance for 2022 transparently to its stakeholders. It publishes the sustainability report every year.

REPORTING SCOPE

This report covers the domestic business sites (separate criteria) of Hotel Lotte.

REPORTING PERIOD

This report covers the company's activities from January to December 2022. However, it also includes some information up to the first half of 2023, particularly information concerning its qualitative performances and major changes, while the quantitative statistical data are taken from the years 2020 to 2022.

REPORTING STANDARDS

This report has been prepared based on the following global guideline.

GRI Standards 2021

PUBLICATION DATE

August 2023

THIRD-PARTY ASSURANCE

Regarding compliance with the preparation standards and process, this report has been verified by ECONINE, which is an independent verification agency, in accordance with the international verification standard AA1000.

REPORT INQUIRIES

Department in charge: ESG Team, LOTTE Group Hotel HQ

E-mail: hotelhq_esg@lotte.net

www.hotellotte.com

TABLE OF CONTENTS

Message from the CEO	03
2022 Sustainability Highlights	07

OVERVIEW

Business Overview

Introduction of Hotel Lotte

Global Network	09
The 50-year Corporate History	10
Company Overview and Governance	11
Business Model and Areas	12
Board Composition and Operational Status	13

Sustainable Management System

Sustainable Management Vision and Strategic System	15
Sustainable Management Decision-Making and Implementation Structure	16
Sustainable Management Communication with Stakeholders	17

SUSTAINABLE JOURNEY

Sustainability Material Issues and Responses

Process to Determine Material Issues	19
Reinforcing Workplace Health and Safety Management & Enhancing Customer Safety at Business Sites	20
Reinforcing Compliance and Ethical Management Practice & Risk Prevention and Management	22
Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity	24
Resource Saving and Waste Reduction	28
Increasing Sustainable Products and Services	31
Customer Information Security	33
Greenhouse Gas (GHG) Emissions Reduction	35

ESG FACTBOOK

ESG Data	38
GRI Report & Index	47

APPENDIX

Material Issue Impact Analysis	55
Affiliated Associations	59
Third-party Assurance Statement	60

2022 HOTEL LOTTE Sustainability Report

This report has been published in the interactive PDF format to allow the viewer to go to the relevant pages and website.

MESSAGE FROM THE CEO

Hotel Lotte is dedicated to enriching the lives of all stakeholders and contributing to society. In our pursuit of a sustainable future, we are committed to walking the right path with all stakeholders, creating social value instead of seeking shortcuts.

Esteemed stakeholders,

2023 marks a significant year for Hotel Lotte as we publish our inaugural sustainability report and celebrate our 50th anniversary. We extend our heartfelt gratitude to all stakeholders who have supported our journey towards sustainable growth.

Despite the complex challenges of recent years, including the pandemic and ongoing global economic uncertainties, Hotel Lotte has tirelessly worked to create economic value and realize customer satisfaction, leveraging our unique competitive strengths. Consequently, we achieved a net profit turnaround for the first time since the onset of COVID-19 last year. Furthermore, as we strive to grow and prosper while leaving a sustainable impact on the economy, environment, and society, we have formulated a sustainable management strategy with the overarching goal of "Making a Sustainable Journey" and have focused on establishing a solid foundation for its realization.

Our Journey for the Environment

Hotel Lotte has designated carbon neutrality, focusing on reducing GHG emissions, as an essential task in corporate management, given the acceleration of the climate crisis. To achieve the 2040 carbon neutrality goal, we have developed a phased strategy and expanded the production and utilization of renewable energy sources, including solar and geothermal power.

Furthermore, we are dedicated to achieving water resource conservation, promoting resource circulation, and enhancing energy efficiency through initiatives such as greywater usage, linen and plastic recycling, and the replacement of equipment and facilities, such as eco-friendly, high-efficiency boilers and outdoor air-cooling systems. We are also committed to systematically managing quantitative data related to the environment and energy at our facilities.

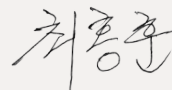
Our Journey for Human Rights, Society, and Customer Value

Hotel Lotte is committed to sustainable management across all facets of our operations, fostering "shared value" with all stakeholders. Guided by our dedication to safeguard and respect human rights throughout the organization, we prioritize safety as our core principle and continuously strive to enhance the skills of our employees. Furthermore, we actively engage in various support activities to fulfill our corporate social responsibilities and roles, which include nurturing the growth of future generations, revitalizing the local economy, improving the quality of life for marginalized groups, and collaborating with partner companies. With the hope that everyone will enthusiastically participate in our sustainable journey, we remain dedicated to allocating our efforts and resources to enhance the sustainability of Hotel Lotte's services and products.

As we grow, Hotel Lotte will persist in integrating sustainability management across the entire value chain to contribute to the creation of a sustainable environment and society. We kindly request your continued interest and encouragement for our efforts to build a sustainable planet, people, future, and Hotel Lotte.

Thank you.

Hong-hoon Choi, CEO of LOTTE WORLD



Tae-hong Kim, CEO of LOTTE HOTELS & RESORTS



Ju-nam Kim, CEO of LOTTE DUTY FREE



Please look forward to our transformation into a global on-and-offline entertainment company, and to the better world envisioned by Lotte World.

LOTTE WORLD

Lotte World, which started as the first theme park in the city center in Korea, is planting more seeds for future growth than ever despite the worsening business recession. In a bold shift from our traditional offline-focused business, we have embraced a new vision of becoming an "on-offline entertainment company," introducing new enjoyment to the world through games, online contents, and popup stores.

Lotte World is focusing on nurturing the seeds that will bear fruit for tomorrow. In pursuit of this vision, Lotte World has developed concrete action plans driven by a sense of mission and expectation for a better future.

Firstly, Green World. We are dedicated to creating a greener tomorrow for future generations. All our business divisions have formulated and are implementing medium to long-term environmental management plans. Our aquarium, in particular, plays a leading role in preserving the future marine ecosystem, with support from various specialized personnel and technologies.

Secondly, Together World. We aspire to create a safe working environment and contribute to the development with local community. In 2023, Lotte World Adventure attained ISO45001 Occupational Health and Safety Management System certification, meeting global standards for safety management.

We also actively participate in various social contribution programs that leverage startup collaborations and the unique characteristics of a theme park, leading the efforts to build an inclusive society.

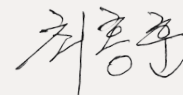
Thirdly, Fair World. Ethical and compliance management forms the foundation of all our business activities. In response to customer trust and the increasing societal standards for business ethics, Lotte World is implementing various programs to prevent risks and expanding the scope of management to encompass partner companies.

Beyond our current achievements, Lotte World is committed to preparing for a sustainable future for the next 10, 50, and 100 years ahead. We express our heartfelt gratitude to all stakeholders who have consistently placed their trust in and supported Lotte World. We kindly request your enthusiastic anticipation of our energetic leap forward as a global on-offline entertainment company and the better world we will create together.

A Better World!

Thank you.

Hong-hoon Choi, CEO of LOTTE WORLD, HOTEL LOTTE Co., Ltd.




LOTTE HOTELS & RESORTS deeply reflects on the corporate role and impact in building a sustainable future and aims to create a journey that engages employees, customers, and local communities.

LOTTE HOTELS & RESORTS

Given the growing demand for corporate social responsibility and sustainability, the internalization of ESG (Environment, Social, and Governance) principles has become imperative. In addition to the prolonged pandemic causing global supply chain instability, urgent actions are required to address climate change, including heatwaves and floods impacting various regions worldwide.

In the midst of these global crises, Lotte Hotels & Resorts deeply reflects on the corporate role and impact in building a sustainable future and aims to create a journey that engages employees, customers, and local communities.

Firstly, we are committed to a Green Stay.

In our pursuit of sustainable travel, Lotte Hotels & Resorts will establish renewable energy facilities and enhance energy efficiency. Currently, we utilize geothermal energy at six domestic properties and solar energy at four properties for hotel operations. Notably, Lotte Hotel Ulsan plans to self-consume renewable energy certificates (REC) via solar photovoltaic (PV) business.

Secondly, we strive to be a Great Place to Work (GPTW).

In 2022, Lotte Hotels & Resorts established a human rights management system and formulated detailed policies. Starting in 2023, we are conducting human rights surveys and individual interviews with employees to identify areas for improvement. We will actively eliminate human rights violation risks through annual human rights impact assessments and proactively prevent potential issues.

Thirdly, we pursue Community Engagement.

Lotte Hotels & Resorts aims to address the concerns of the communities where our businesses are located. Through collaborations with local universities, we endeavor to develop talent and create jobs. We will also continue supporting local youth through initiatives such as the L'MUZE program for young artists and the Hotel Maker Project, an educational program for young individuals aspiring to enter the hotel industry.

Lotte Hotels & Resorts is dedicated to repaying the love received over the past 50 years with meaningful activities in the next 50 years. We request your enthusiasm and interest in Lotte Hotels & Resorts' sustainable journey, and we wish for the health and well-being of our employees, customers, and local communities.

Thank you.



Tae-hong Kim, CEO of LOTTE HOTELS & RESORTS, HOTEL LOTTE Co., Ltd.



LOTTE DUTY FREE will tirelessly strive with all employees to create a better future for the next generations and become 'the most trusted travel partner.'

LOTTE DUTY FREE

Even as we have entered the endemic phase following the pandemic, climate crises that threaten humanity and rapid changes in the global supply chain continue to pose risks.

With ESG values as our top priority, Lotte Duty Free demonstrates agility in overcoming crises and strives for sustainable growth.

Committed to green management, Lotte Duty Free embarked on its sustainable journey with the slogan "Duty 4 Earth." Beginning with the construction of photovoltaic (PV) facilities at the integrated distribution center in 2021, we have completed the nation's first green logistics infrastructure, including the introduction of electric vehicles for bonded transportation and the installation of charging stations, and the transition to eco-friendly packaging materials, all in line with our commitment to carbon neutrality.

In fulfilling our social responsibilities, we are strengthening human rights management and pursuing shared values through social contribution programs such as 'STAR★UPS', designed to support young entrepreneurs, and 'CHEER♥UPS', aimed at assisting local small businesses. We continue to develop and execute practical tasks for customer service, safety assurance, and mutual growth with our partners.

Furthermore, through the operation of the management committee, we are internalizing transparent management and striving to create a healthy corporate culture. Building on these efforts, Lotte Duty Free pursued certifications for corruption prevention management systems (ISO37001) and compliance management systems (ISO37301), earning the trust of our stakeholders.

Lotte Duty Free remains committed to enhancing the transparency of corporate governance to increase corporate value.

We would like to express our gratitude to all stakeholders who have generously supported Lotte Duty Free in the challenging business environment over the past few years. Lotte Duty Free will tirelessly strive with all employees to create a better future for the next generations and become "the most trusted travel partner."

Thank you.

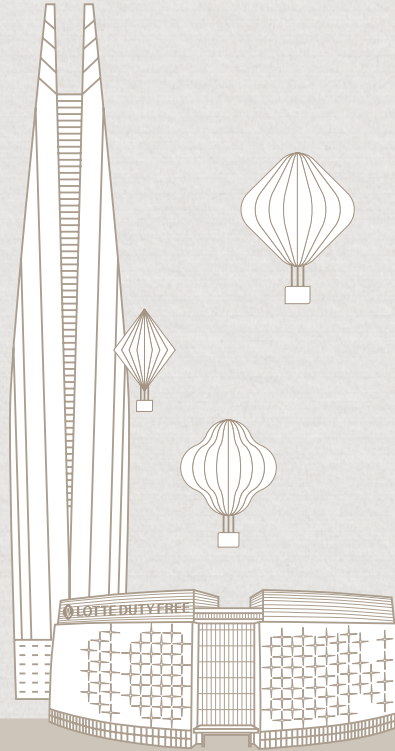
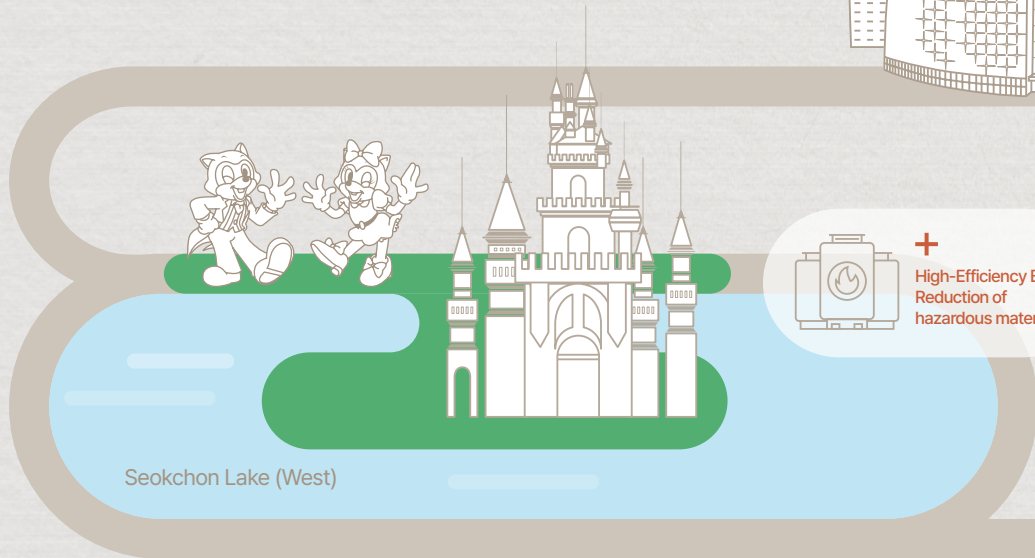
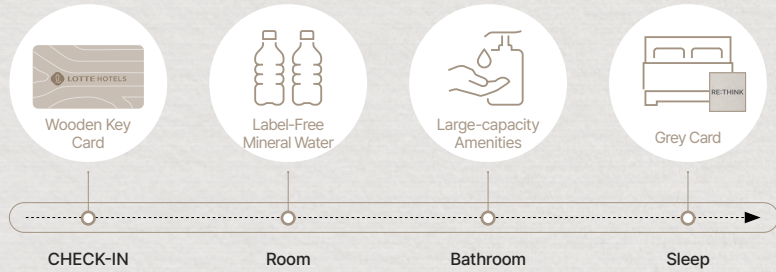


Ju-nam Kim, CEO of LOTTE DUTY FREE, HOTEL LOTTE Co., Ltd.

2022 Sustainability Highlights

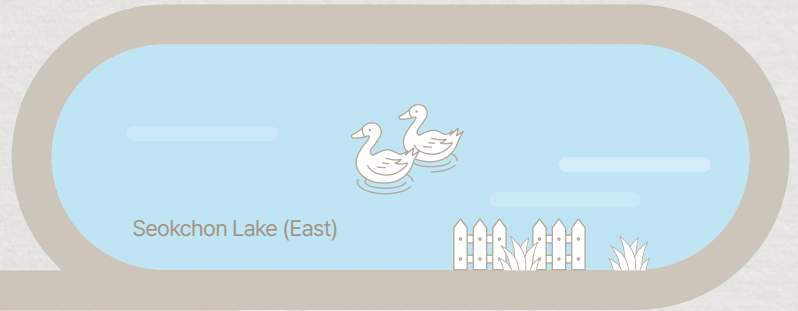
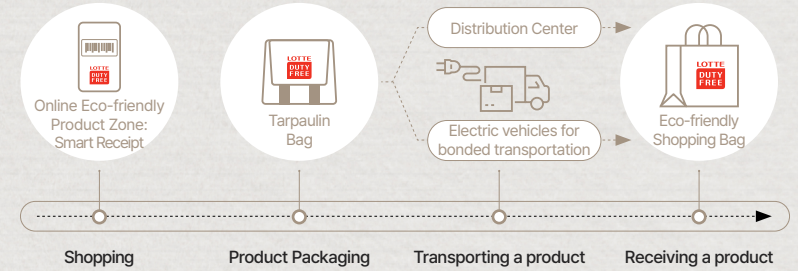
LOTTE HOTEL & RESORTS

+ Renewable energy development:
Solar and geothermal energy

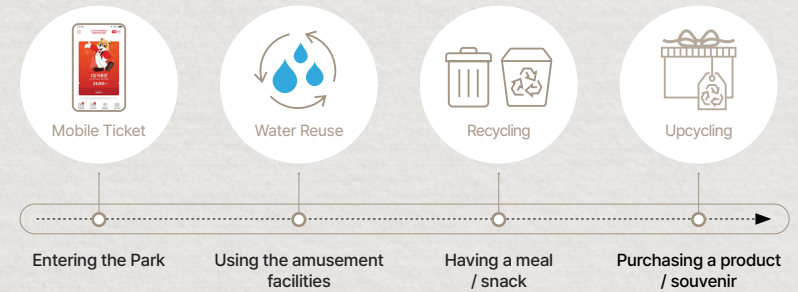


LOTTE DUTY FREE

+ Rooftop solar panels at the distribution center



LOTTE WORLD



PART 1. Business Overview

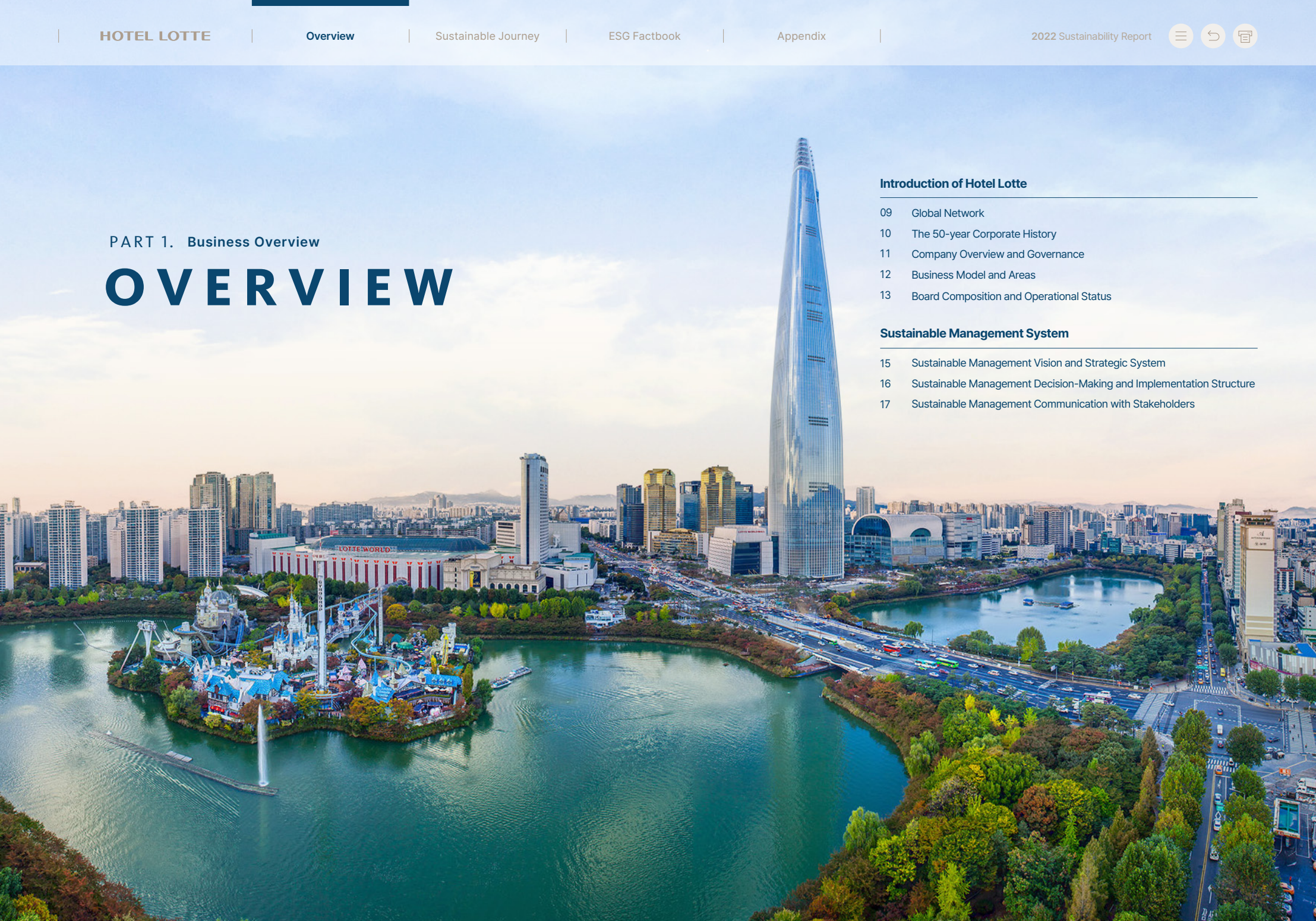
OVERVIEW

Introduction of Hotel Lotte

- 09 Global Network
- 10 The 50-year Corporate History
- 11 Company Overview and Governance
- 12 Business Model and Areas
- 13 Board Composition and Operational Status

Sustainable Management System

- 15 Sustainable Management Vision and Strategic System
- 16 Sustainable Management Decision-Making and Implementation Structure
- 17 Sustainable Management Communication with Stakeholders



Global Network

Hotel Lotte is a global leading company that has grown by contributing to the development of tourism and service businesses in Korea and abroad, centered on three main business units: Lotte Duty Free, Lotte Hotels & Resorts, and Lotte World. Hotel Lotte operates business locations in ten main cities and regions in Korea, including Seoul, Busan, Incheon, Daejeon, and Jeju, and has entered twenty-four cities in nine countries, including the United States, Japan, Vietnam, Australia, and Russia.

* Based on all business sites that are operated through direct management or consignment management at home and abroad.



LOTTE DUTY FREE

Korea (9)

Main DownTown Store, World Tower DownTown Store, Busan DownTown Store, Jeju DownTown Store, Incheon Airport Store¹⁾, Gimpo Airport Store, Gimhae Airport Store, Jeju Airport Store, Incheon In-Flight Duty Free Store²⁾

Overseas (14)

Ginza DownTown Store, Kansai Airport Store, Guam Airport Store, Da Nang Airport Store, Nha Trang Airport Store, Da Nang DownTown Store, Brisbane Airport Store, Darwin Airport Store, Melbourne DownTown Store, Sydney DownTown Store, Hanoi Airport Store, Wellington Airport Store, Changi Airport Store, Melbourne Airport Store

1) Closed on June 30, 2023.

2) The business site opened in December 2022 under the consignment contract for an in-flight duty-free store with JejuAir

LOTTE HOTELS & RESORTS

Korea (23)

Signiel	Seoul, Busan
Lotte Hotel	Seoul, World, Busan, Jeju, Ulsan
L7	Myeong-dong, Gangnam, Hongdae
Lotte City Hotel	Mapo, Gimpo Airport, Guro, Myeongdong, Daejeon, Ulsan, Jeju
Resort	Buyeo, Sokcho, Jeju Art Villas, Baekje Cultural Land
Skyhill CC	Buyeo, Jeju

Overseas (12)

Lotte Hotel	New York, Seattle, Guam, Moscow, St. Petersburg, Vladivostok, Samara, Arai Resort, Saigon, Hanoi, Yangon
Lotte City Hotel	Tashkent

Lotte World

Korea (8)

Lotte World Adventure Seoul	Lotte World Adventure Busan
Lotte Water Park	Lotte World Aquarium
Seoul Sky	Lala Kids Adventure (3)



The 50-year Corporate History

1973~1999

1973

May 5 Establishment of the Hotel Lotte Corporation
Hotel Lotte has led the development of Korean tourism and cultural industry for 50 years by providing the best facilities and services in the industry



1979

Mar. 10 Opening of the Lotte Hotel Seoul
Opened a new horizon for the Korean tourism industry

1980

Jan. 21 Opening of the Lotte Duty Free Main DownTown Store in Myeongdong
Seoul Korea's first comprehensive duty-free store which introduced the concept of a luxury boutique

1989

Jul. 12 Opening of the Lotte World Adventure
Korea's first indoor theme park

1994

Mar. 9 Lotte World Adventure was registered as the world's first indoor theme park in the Guinness World Records

2000~2009

2000

Oct. 10 Opening of the world's first online duty-free store
Led the digital duty-free industry and pioneered a new area of duty-free shopping

2005

Apr. 8 Opening of the Skyhill CC Jeju
An excellent golf course that boasts green grass in all four seasons

2006

Feb. 25 Lotte Duty Free Family Concert
Developed the tourism industry and promoted K-culture

Jun. 1 Opening of the integrated distribution center exclusively for duty-free stores for the first time in Korea

An advanced distribution system based on the largest logistics infrastructure in Korea

2009

Apr. 1 Opening of the Lotte City Hotel Mapo
Launched as a premium business hotel brand



2010~2019

2010

Sep. 2 Opening of the Lotte Resort Buyeo
Lotte Hotels & Resorts' first themed resort

Sep. 13 Opening of the Lotte Hotel Moscow
Korea's first hotel brand to enter the overseas market

2012

Jan. 31 Opening of the Lotte Duty Free Jakarta Airport Store
Entered the overseas market for the first time among companies in the domestic duty-free industry

2014

May 30 Opening of the Gimhae Lotte Water Park
The largest water park with the theme of Polynesia in the southeastern region of Korea

Oct. 16 Opening of the Lotte World Aquarium
Provides differentiated experience-oriented education programs and conducts various research activities

2016

Jan. 12 Opening of the L7 Myeongdong
Launched as a lifestyle hotel brand

2017

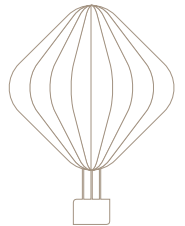
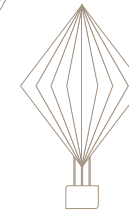
Apr. 3 Opening of the Signiel Seoul
Launched as a six-star hotel brand

Apr. 3 Opening of the Lotte World Seoul Sky
Korea's significant skyscraper landmark

2020~2023

2022

Mar. 31 Opening of the Lotte World Adventure Busan
This theme park has become Busan's major culture and tourism icon



Company Overview and Governance

Company Overview

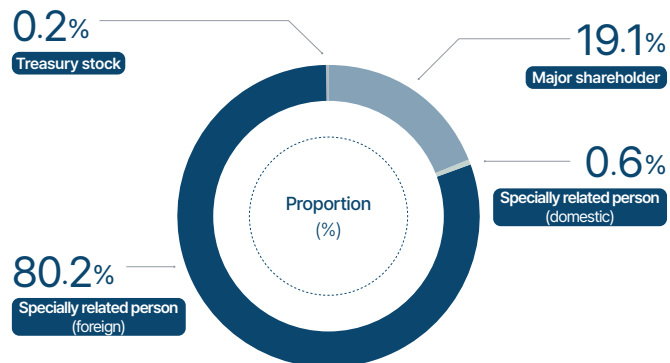
Company	Hotel Lotte Co., Ltd.
Address	30, Ulji-ro, Jung-gu, Seoul
Foundation Date	May 5, 1973
CEOs	Hong-hoon Choi, Tae-hong Kim, and Ju-nam Kim
Credit	AA- No-warranty bond / A1 Commercial Paper (CP) Korea Investors Service / NICE Investors Service / Korea Ratings (Jan 12, 2023)

Vision

Expand Your Experience

Ownership and Legal Form

Hotel Lotte is an affiliated company that belongs to the LOTTE Corporate Group under the Monopoly Regulation and Fair Trade Act.



* As of the end of December 2022

Hotel Lotte is a global tourism service company that is constantly growing, with diverse business areas centering on hotels, duty free stores, theme parks, resorts, and golf courses

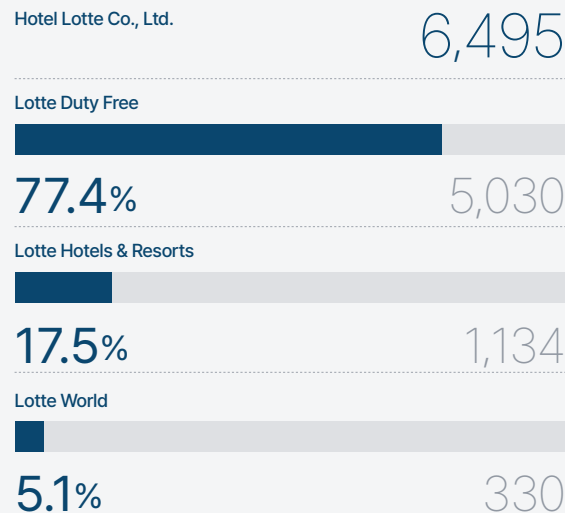
Lotte Duty Free is Korea's representative duty-free store and a global brand of travel retail with the largest number of branches as well as online stores.

Lotte Hotels & Resorts is a global hotel chain that is expanding beyond Asia towards the wider world with the aim of becoming a brand that impresses customers with its elegant services and facilities worldwide.

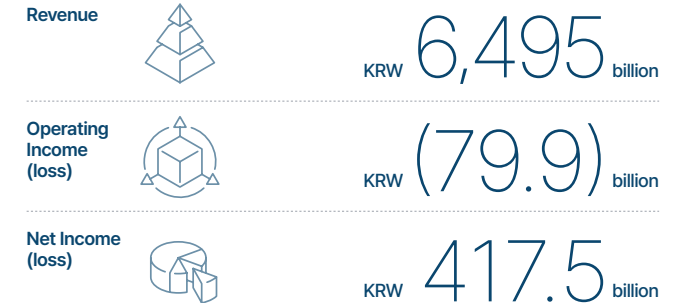
Lotte World is growing into an online and offline themed entertainment corporation by expanding its business areas from theme parks, water parks, observatories, and aquariums to online and overseas businesses.

2022 Revenue by Business Unit

(Unit: KRW billion)



2022 Financial Performances



* Based on consolidated financial statements

2022 Number of Employees

(Unit: People)



* Based on the headquarters' full-time employees (excluding registered executives and consolidated companies)

Business Model and Areas

Lotte Duty Free

Lotte Duty Free provides a variety of products via its domestic and overseas offline stores and online stores and is striving to pioneer new businesses such as online duty-free malls for domestic customs clearance (LUXEMALL), and online cross-border shopping malls (LDF BUY). In addition, the company contributes to the development of the Korean tourism industry and the expansion of cultural contents by conducting marketing activities linked to cultural tourism contents combined with major Korean wave stars.



Lotte Duty Free opened its main store in Myeongdong, Seoul in January 1980, and now operates overseas stores in Guam, Japan, Vietnam, Australia, New Zealand, and Singapore, along with its domestic stores, including World Tower DownTown Store, Incheon Airport Store, Gimpo Airport Store, Gimhae Airport Store, Busan DownTown Store, and Jeju DownTown Store.

In addition it provides the best products and services online and offline, including various language service at online store.

Lotte Duty Free constantly strives to satisfy customers with comfortable shopping spaces, substantial discount events, and various other events, making a strong leap forward as the No. 1 global duty-free shop and leading the global duty-free industry.

Lotte Hotels & Resorts*

Lotte Hotels & Resorts provides high-quality services and colorful experiences to diverse customers by operating hotels, resorts, and golf courses, which are core elements of travel, tourism, and leisure. It seeks substantial growth by continuously improving facilities and trying new things.



Lotte Hotels & Resorts operates a broad spectrum of brands including the top-class luxury hotel 'Signiel,' its representative brand 'Lotte Hotel,' premium business hotel 'Lotte City Hotel,' trendy lifestyle hotel 'L7,' themed relaxation brand 'Lotte Resort,' and senior residence brand 'VL.'

In addition, it operates golf courses in places that are famous in Korea for their natural environment and attractions, providing optimal spaces and services for leisure activities and relaxation.

* The Hotel and Resort Business Units were integrated on January 1, 2023.

Lotte World

Lotte World is successfully operating its theme parks, aquariums, observatories, and water parks, creating valuable memories for countless visitors. It pursues constant growth by promoting the internal and external expansion and diversifying its business in order to provide customers with joyful and special experiences.

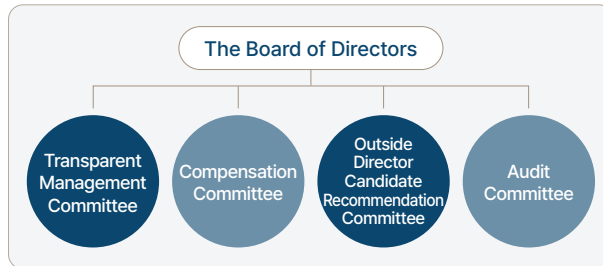


Lotte World is an online and offline themed entertainment company that covers the entire spectrum from the tourism and leisure industries such as theme parks, aquariums, and observatories to the digital content area.

Lotte World continues to expand its business areas from theme parks and offline-based business to online contents and overseas businesses. It is strengthening its position as a worldwide leader in online and offline themed entertainment.

Board Composition and Operational Status

Structure of the Board of Directors



Subcommittee of the Board of Directors

Committee	Roles	Authority
Transparent Management Committee	Strengthen the company's internal control over transactions with affiliates and other related parties	<ul style="list-style-type: none"> ① Review and approve internal transactions ② If necessary, request the company to submit and report related data, such as the main contents of projects, contract methods and standards for selecting counterparties, and detailed transaction conditions
Compensation Committee	Strengthen management transparency and compliance by determining executive remuneration through the Compensation Committee	<ul style="list-style-type: none"> ① Remuneration limit for registered directors to be submitted to the general shareholders' meeting ② Approval of individual remuneration by registered directors (including bonuses) ③ Other matters delegated by the Board of Directors
Outside Director Candidate Recommendation Committee	Improve corporate governance, strengthen the Board of Directors' capabilities, and enhance management transparency based on the fair selection of candidates for outside directors by recommending optimal candidates	Recommend candidates for outside directors to be appointed at the general shareholders' meeting
Audit Committee	Conduct independent and objective evaluations of the adequacy and effectiveness of internal control policies and systems	<ul style="list-style-type: none"> ① Audit procedures and audit results of accounting-related documents, such as financial statements, and accounting firms ② Review the operational status of the internal accounting management system ③ Conduct occasional and regular audits

Operation of the Board of Directors / Appointment of the CEO

Hotel Lotte practices responsible management centered on the Board of Directors. The Board of Directors decides on matters prescribed by the relevant statutes or articles of association, matters delegated by the general shareholders' meeting, basic policies of the company's management, and major matters concerning business execution. Hotel Lotte has established articles of association and the Board regulations, which specifically stipulate the Board's authority, responsibility, and operating procedures.

Hotel Lotte designates the CEO as the chairman of the BOD according to its articles of association. To improve the efficiency of decision-making, the CEO, who is an inside director, concurrently serves as the chairman of the BOD. The Board of Directors and Outside Director Candidate Recommendation Committee select candidates for the position of CEO for final appointment at the general shareholders' meeting. In accordance with the Board of Directors' regulations, a regular board meeting is held at least once a quarter, while temporary board meetings are held from time to time depending on the case.

Board Expertise

Hotel Lotte's Board of Directors is composed inside directors who are corporate management experts and outside directors who are financial, legal, or management experts with a long history of experience in industry. To enhance the professionalism and fairness of the BOD, four specialized committees including the Transparent Management Committee, Outside Director Candidate Recommendation Committee, and Compensation Committee are organized and operated under the Audit Committee and the Board of Directors.

In addition, support organizations within the company assist the professional operations of the outside directors at the BOD and its committees. They provide relevant materials in advance to allow the BOD and its committees to fully review the agenda prior to a BOD meeting, and, when necessary, they hold a separate briefing session, as well as providing information on other major issues within the company from time to time.

Furthermore, the company provides the Audit Committee members with the internal accounting management system's evaluation results, financial statements, financial audit results, etc. The company also appoints from among the recommended candidates a compliance officer who meets the qualification requirements of the compliance control standards and has

sufficient knowledge and practical experience, through a resolution of the general meeting of stakeholders. The compliance officer reports important matters related to compliance control to the Board of Directors.

BOD Remuneration Policy and Decision Procedure

According to the articles of association, the remuneration of directors is determined in consideration of the company's solvency, the current levels of remuneration within the industry, their compensatory competitiveness, and their contribution to the company, through a resolution of the general meeting of stakeholders.

The remuneration of directors consists of the basic annual salary and bonuses as stipulated by the resolution of the BOD, which determines and approves the limit of remuneration for all non-registered directors for the year. The CEO can adjust individual remuneration within the limit approved by the BOD. Regarding the evaluation of the directors, which is linked to bonuses, some sustainable management elements, such as the ESG evaluation index, may be included.

However, the total remuneration of the CEO is directly deliberated by the Compensation Committee and decided by the BOD. In addition, the Compensation Committee determines the limit of remuneration for directors to be submitted to the stakeholders' general meeting, approves the registered directors' individual remuneration (including bonuses), and determines the limit of total remuneration for non-registered directors. The severance payment for directors is determined in accordance with the regulations on directors' severance pay, which passed the resolution of the stakeholders' general meeting.

Preventing & Mitigating Conflicts of Interest within the BOD

The process for preventing and mitigating the conflicts of interest within the BOD is as follows. The company operates the Transparent Management Committee within the BOD to reinforce the company's internal control over transactions with affiliated companies and persons. To review and approve internal transactions and deliberate items of agendas, the committee requests, if necessary, the company to provide the related sales data and reports, including the main contents of the relevant project, the contract method, the criteria for selecting counterparties, and the detailed transaction conditions.

Board Composition and Operational Status

Diversity and Independence of the BOD

The members of the Board of Directors are appointed according to the principles of diversity and independence. Directors are appointed at the general shareholders' meeting. The Board of Directors and the Outside Director Candidate Recommendation Committee select the director candidates to be appointed at the general shareholders' meeting. Their appointment is confirmed as a proposal to be submitted to the general shareholders' meeting.

First of all, Hotel Lotte does not discriminate against candidates based on such factors as gender or place of origin when appointing directors so that the BOD can supervise the company's management from various perspectives. In addition, the BOD operates the Outside Director Candidate Recommendation Committee to ensure independence when selecting candidates. The Committee is composed of two outside directors and one inside director.

The members of the Audit Committee are appointed through a resolution of the general meeting of all shareholders. The committee carries out independent and objective evaluations of the adequacy and effectiveness of the internal control policies and systems adopted by the management.

The committee members examine accounting-related documents such as financial statements, and the audit procedure and results of accounting firms, and also receive - from the internal accounting manager - and review the operational status of the internal accounting management system, which was established to write and publicly announce reliable accounting information of the company.

Furthermore, the committee conducts occasional and regular audits to inspect the company's state of affairs including financial statements. The Audit Committee is composed of three outside directors to ensure its independence, and it conducts occasional and regular audits four to five times a year.

Sustainable Management Leadership of the BOD

The BOD, as the company's final decision-making body regarding sustainable management, sets the sustainable management principles and regulations, identifies material sustainability issues and determines their priority, and has the responsibility and authority for making major decisions concerning impacts, opportunities, and risks related to material issues.

The outside directors present their opinions so that the inside directors and the management can pursue and manage environmental and social performance, which is considered to be as important as financial performance.

Composition of the BOD

Classification	Name	Position and Activities	Specialization	Key Experience	Tenure	Gender	Date of Birth
Inside Director	Hong-hoon Choi	CEO, Chairman of the BOD	Management	(Former) Hotel Lotte Co., Ltd. Head of the Sales Department of Lotte World (Current) Hotel Lotte Co., Ltd. Lotte World CEO	Jan. 30, 2020 – Mar. 25, 2025 (Re-appointed)	Male	May 1962
Inside Director	Tae-hong Kim	CEO	Management	(Former) Hotel Lotte Head of Domestic Resorts & CL Department (Current) Hotel Lotte Co., Ltd. Lotte Hotels & Resorts CEO	Aug. 17, 2023 – Mar. 25, 2026	Male	Aug. 1967
Inside Director	Ju-nam Kim	CEO	Management	(Former) Hotel Lotte Co., Ltd. Head of the Korea Business Department of Lotte Duty Free (Current) Hotel Lotte Co., Ltd. Lotte Duty Free CEO	Jan. 26, 2023 – Mar. 25, 2025	Male	Oct. 1969
Inside Director	Seong-bin Shin	Inside Director	Management	(Former) Woori Home Shopping Co., Ltd. Head of the Marketing Department (Current) Head of the Management Strategy Department of Lotte Group Hotel HQ	Mar. 30, 2023 – Mar. 25, 2025	Male	Aug. 1971
Inside Director	Kyung-wan Han	Inside Director	Management	(Current) Head of the Financial Innovation Department of Lotte Group Hotel HQ	Oct. 13, 2022 – Mar. 25, 2025	Male	Jan. 1971
Outside Director	Hyun-han Shin	Chairman of the Audit Committee, Member of the Outside Director Candidate Recommendation Committee	Economics / Finance / Management	(Former) Executive Director of the Korean Management Association (Current) Professor at Yonsei University School of Business	Mar. 27, 2020 – Mar. 25, 2024 (Re-appointed)	Male	Feb. 1965
Outside Director	Seon-jong Yoo	Member of the Transparent Management Committee and the Compensation Committee	Real-estate/ Appraisal	(Former) Non-executive director of the Korea Appraisal Board (Current) Professor of the Real Estate Department, Konkuk University	Mar. 26, 2021 – Mar. 25, 2025 (Re-appointed)	Male	Jun. 1966
Outside Director	Yeong-ju Lee	Member of the Audit Committee, Chairman of the Transparent Management Committee	Law	(Former) Vice-president of the Judicial Research and Training Institute (Current) President of the Gyeonggi-do Social Impact Creators	Mar. 26, 2021 – Mar. 25, 2025 (Re-appointed)	Female	Feb. 1967
Outside Director	Young-hyun Choi	Member of the Audit Committee, Transparent Management Committee, and Compensation Committee	Government experience	(Former) Deputy Director General of the Ministry of Health and Welfare (Current) Chairman of the Innovation Policy Research Center of the Korea Drug Research Association	Mar. 26, 2021 – Mar. 25, 2025 (Re-appointed)	Male	Apr. 1961
Non-executive Director	Seung-wook Kim	Non-executive director	Finance/ Accounting	General Manager of the Lotte Holding Management Innovation Team	Mar. 26, 2021 – Mar. 25, 2025 (Re-appointed)	Male	May 1974

* As of August 2023

Major Decisions made by the BOD in 2022

Meeting Date	Agenda Items	Attendance
Jan. 21, 2022	Appointment of the CEO	11/11
Feb. 10, 2022	Report on the results produced by the Compensation Committee / Holding regular general meeting of shareholders	11/11
Mar. 10, 2022	Approval of the 2021 financial statements / Revision of the Compensation Committee and Executives' Remuneration Regulations	11/11
Mar. 25, 2022	Report on the compliance officer's activities / Report on the results produced by the Compensation Committee / Appointment of the CEO / Revision of the Transparent Management Committee Regulations / Revision of the Compliance Control Standards	10/11
Jun. 08, 2022	Holding a temporary general meeting of shareholders	10/11
Aug. 08, 2022	Appointment of a compliance officer	10/11
Sep. 14, 2022	Report on the appointment of executives / Holding a temporary general meeting of shareholders / Approval of inside directors' right to hold multiple positions concurrently	9/10
Dec. 15, 2022	Report on the appointment of executives	10/11

Sustainable Management Vision and Strategic System

Purpose

Making a Sustainable Journey

2025 Vision

We commit to growing as a company with top global-level sustainable management standard

Core Goals by 2025

Environment

To have an environmental management system in place
ISO14001 Certification, Publishing CDP Report

Social

To achieve the highest level of a great workplace in the global hospitality industry
Acquiring GPTW index

Customer Value

To become the leading supplier of sustainable products and services in the global hospitality industry

2025 Priority for Core Targets*

EMS*

- ISO14001 Certification completion for all domestic business sites

Emissions

- Establishment of the GHG Inventory for all domestic business sites
- Increase of energy efficiency by 10%
- Renewable energy generation doubled
- Eco-friendly transportation doubled

Wastes

- Establishment of waste inventory
- Waste recycling and reuse up by 20%
- Food waste from business down by 10%

Resources

- Water use in business down by 5%
- Sustainability certification and renewable resources up by 10%

Great Place to Work & DEI

- Establishment of Great Place to Work (GPTW) Surveys
- Improving welfare and treatment for non-regular workers and partner company members: more than 10 cases annually
- More employees with disabilities hired

Win-win Cooperation

- Establishment of ground rules of responsible purchasing and production, and application to supplier contracts
- Settlement of ESG spread program for partners
- Win-win cooperation assessment index measurement and improvements

Social Contribution

- Jobs for the future: Vocational training of teens and youth expanded by 1.5 times
- Protection of Ecosystems: Contribution for environment doubled
- Creation and implementation of system for emergency and disaster relief

Sustainable Hospitality

- Certified sustainable products up by 10%
- Adoption and stabilization of the Sustainable Service Selection System
- Universal Design/Service principles and manual created and applied for certification of major business sites

Sustainable Enjoyment

- Access to recycling facilities for every customer
- Proposal of sustainability standard for hotel, resort, and theme park business; implementation of internal certification system

Governance

Reinforcing sustainable management leadership of the Board of Directors

Participation in sustainable management by the Board of Directors, enhanced expertise of the board of directors in sustainable management, and transparent disclosure of information on governance structure

Core Value

Respect for human rights

Establishment of human rights management system and respect for human rights across the value chain
– Conduct the human rights impact assessment

Management Principle

Establishment and internalization of a sustainable management action framework

Compliance, Business Ethics, Transparent Management, Workplace Safety, Employee Development, Stakeholder Communication and Participation, Privacy

* Goals and tasks are for domestic business sites and will be extended to overseas business sites afterward

* Priority tasks for each domain target performance in 2025 compared to 2022 (As an exception, applied 2025 performance compared to 2021 for renewable power generation)

* EMS: Environmental Management System

Sustainable Management Decision-Making and Implementation Structure

Roles and Responsibilities of the BOD

The Board of Directors, Hotel Lotte's highest decision-making body, makes decisions on major issues related to the company's drive for sustainability and is responsible for them. The BOD receives reports on major status and plans related to sustainability, and makes decisions on the agendas to be approved, such as investment.

The BOD holds regular quarterly meetings and convenes an occasional meeting when necessary to supervise and manage the sustainable management issues and make decisions on them. In 2023, the BOD resolved the agenda for establishing consolidated principles for sustainable management and made decisions on the selection of material issues and the publication of the sustainability report.

Roles and Responsibilities of the ESG Committee

Hotel Lotte operates an ESG Committee for each business unit (Duty Free, Hotels & Resorts, and World). Each committee discusses the economic, environmental and social impacts, and crises and opportunities, related to material issues in order to actively implement sustainable management.

The Chairman of each ESG Committee represents each business unit, and each unit's main management members participate in the committee as a member. Each ESG Committee discusses sustainability issues at its ESG working-level council and makes decisions on the reported and presented items of agenda at the management level. The important issues determined at each ESG Committee are reported to the CEO and the BOD.

Roles and Responsibilities of the ESG Working-level Council

To enhance the on-site executive ability to promote sustainability, the company has established the ESG working-level council, which is composed of the heads of the relevant departments and managers from each business unit. Each body deals with practical ESG issues and material issues, presents the ideas, opinions and grievances of on-site workers, and collaborates with each department in improving and executing the issues, in order to execute sustainable management at all business sites. The details discussed by the ESG working-level council are reported to the ESG Committee of each business unit.

Sustainability Decision-Making and Material Issue Management Structure



Roles and Responsibilities of ESG-Related Departments

Areas	Related Departments
Response to Overall ESG Issues and Material Issues	ESG Department
Health and Safety	Safety Control / Environmental Safety / Safety Management
Compliance and Ethics	Compliance / Ethics Management
Human Rights	Human Resources / Organizational Culture Innovation / Corporate Culture
Resource Saving	Engineering / SCM / Support
Provision of Sustainable Products and Services	Purchasing / Product Strategy / SCM / Integrated MD
Protection of Customers' Personal Information	Information Security / Privacy Protection
GHG Emissions Reduction	Engineering / Environmental Safety / Safety Management
Assistance	Accounting / Finance / Planning / Operating / Communication

Consolidated Principles for Sustainable Management

Hotel Lotte has established the consolidated principles for sustainable management in line with its determination to practice sustainable management in tandem with all of its stakeholders. The Board of Directors issued its final approval of the principles in February 2023, and the company is now endeavoring to internalize them through company-wide regularization and educational programs.

[Link to the Consolidated Principles for Sustainable Management](#)

Sustainable Management Communication with Stakeholders

To implement sustainable management across the entire value chain, Hotel Lotte defines its main stakeholders as its customers, employees, stakeholders, financial companies, partner companies, and local communities. As a company can achieve sustainable management not only through its efforts and capacities, but also by having the same objectives and goals as its all stakeholders, which are connected with and influence each other, Hotel Lotte selects material issues for sustainable management together with its stakeholders, shares information about how the selected material issues are conducted as the corporation's business objectives, and publicly discloses the relevant processes and results via various communication channels.

	 Customers	 Employees	 Stakeholders and financial companies	 Partners	 Community
Stakeholder identification method	<ul style="list-style-type: none"> · Customer visits · Online customers 	<ul style="list-style-type: none"> · Employees with an indefinite term of employment · Temporary employees 	<ul style="list-style-type: none"> · Stakeholders · Banks · Credit rating agencies 	<ul style="list-style-type: none"> · Supply chain · Service contractors · Promoters 	<ul style="list-style-type: none"> · Local governments · Associations · Civic groups
Objectives of participation	<ul style="list-style-type: none"> · Improvement of service quality · Strengthening of safety measures 	<ul style="list-style-type: none"> · Evaluation and compensation of employees' performance · Handling of grievances · Benefits · Reinforcement of capabilities 	<ul style="list-style-type: none"> · Financial transactions (loans, etc.) · Increasing corporate value 	<ul style="list-style-type: none"> · Win-win cooperation · Fair Trade Act · Transparent transactions 	<ul style="list-style-type: none"> · Communication with local communities · Social contribution activities
Main communication channels	<ul style="list-style-type: none"> · Voice of Customer (VOC) · Website · Customer Center · Survey 	<ul style="list-style-type: none"> · Labor union · Ethical management reporting channel · Staff meetings · Human Rights Impact Assessment · Customer Satisfaction Survey 	<ul style="list-style-type: none"> · Business Report · Sustainability Report 	<ul style="list-style-type: none"> · Meetings with partner companies · Website · Surveys 	<ul style="list-style-type: none"> · Regional social gatherings · Activities of the CSV (Corporate Social Value) Department

PART 2. Sustainability Material Issues and Responses

SUSTAINABLE JOURNEY

- 19 Process to Determine Material Issues
- 20 Reinforcing Workplace Health and Safety Management & Enhancing Customer Safety at Business Sites
- 22 Reinforcing Compliance and Ethical Management Practice & Risk Prevention and Management
- 24 Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity
- 28 Resource Saving and Waste Reduction
- 31 Increasing Sustainable Products and Services
- 33 Customer Information Security
- 35 Greenhouse Gas (GHG) Emissions Reduction



Process to Determine Material Issues

Hotel Lotte has selected the most important issues to focus on in order to achieve its sustainable management vision and goals. The sustainability material issues were selected in five steps according to the GRI Standards 2021. In Step 1, Hotel Lotte formed a pool of issues from which it selected those with the greatest impact on the economy, society, and the environment. Twenty-three issues were identified by referring to the relevant data, such as sustainability-related global guidelines, the most important sustainability-related issues currently suggested by international organizations (UN, OECD, EU, etc.), global reports and press reports on professional sustainability issues, and global leading companies' sustainability reports in the same industry (hotels, resorts, duty free stores, theme parks, etc.). In Step 2, the company conducted a survey to identify its stakeholders' interest in sustainability issues. In Step 3, based on the results of the stakeholders' survey, the employees whose work is related to each issue analyzed the impacts (In ↔ Out, finance/non-finance, crisis/opportunity) on the relationship between Hotel Lotte's business and each issue. In Step 4, the executives discussed and reviewed the adequacy and priority of the material issues by synthesizing the results of the stakeholders' survey and the analysis data of the related departments. In Step 5, the results of the executives' discussion and review were reported to the Board of Directors prior to its final decision on the material issues and priority.

Process to Select Material Issues

STEP 1

Issue Pool Formation

- UN SDGs, GRI Standards, SASB, ISO26000, and other global guidelines
- Issues raised by international organizations, such as the UN, OECD, EU, etc.
- Professional global sustainability reports and press reports including the 2022 Globe Scan Report, MSCI, S&P, IMD, etc.
- Global leading companies' sustainability reports (hotels, resorts, duty free stores, and theme parks)

Environment (7)

Greenhouse Gas (GHG) Emissions Reduction Ecosystem Protection and Biodiversity Conservation, Resource Saving and Waste Reduction, Establishment and Implementation of the Environmental Management System, Increase of the Use of Sustainable Raw Materials and Renewable Resources, Increase of the Use of Renewable Energy, Water Saving and Efficient Water Management

Social (6)

Reinforcing Workplace Health and Safety Management, Human Rights Management Practice, Prohibition of Discrimination and Respect for Employee Diversity, Reinforcement of Employees' Capabilities, Expansion of ESG to Supply Chain, Including Mutual Growth of Cooperative Companies, Vitalization of Social Contributions by Contributing to the Development of Local Communities

Governance (5)

Reinforcement of Compliance and Ethics Management, Risk Prevention and Management, Communication with Stakeholders and Vitalization of their Engagement in Sustainable Management, Integration of Sustainable Management and Business Strategies, Reinforcement of Sustainable Management Governance and Leadership

Customer Value (5)

Customer Information Security, Enhancing Customer Safety at Business Sites, Increasing Sustainable Products and Services, Introduction of Universal Design, Raising of Customer Awareness of Sustainability and Promotion of the Relevant Activities

STEP 2

Survey of stakeholders' interest in sustainability issues

- Participants: 1,233 persons
- Key stakeholders: 764 customers and 303 employees
- Direct stakeholders: 84 workers from partner companies
- Indirect stakeholders: 77 ESG workers of other companies and 5 people from local communities

STEP 3

Impact analysis of issues

- Issue-related department + ESG team + External Experts
- IN ↔ OUT analysis: Analysis of the impact on the relationship between a corporate business and an issue
- Analysis of financial and non-financial opportunities and risks
- Analysis of opportunities and risks of business finance and non-finance for each area

STEP 4

Executive consultation

- Consultation conducted by the CEO and main executives: Issue adequacy and priority
- Referring to stakeholders' survey results + Analysis of the impact of issues by the related department

STEP 5

Report to the BOD and Approval

- Reporting to and approval of the BOD: Issue adequacy and priority
- Referring to stakeholders' survey results + Results of the analysis of the impact of issues by the related department + executives' consultation

Determined Material Issues of Hotel Lotte

Priority	Area	Issues	Relevant GRI Topic	Page
1	Social + Customer Value	Reinforcing Workplace Health and Safety Management & Enhancing Customer Safety at Business Sites	403	20-21
2	Governance	Reinforcing Compliance and Ethical Management Practice & Risk Prevention and Management	205	22-23
3	Social	Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity	405	24-27
4	Environment	Resource Saving and Waste Reduction	306	28-30
5	Customer Value	Increasing Sustainable Products and Services	Non-GRI	31-32
6	Customer Value	Customer Information Security	418	33-34
7	Environment	Greenhouse Gas (GHG) Emissions Reduction	305	35-36

Material Issue | 01 Reinforcing Workplace Health and Safety Management & Enhancing Customer Safety at Business Sites

Overview and Importance of the Issue

The material issue "Reinforcing Workplace Health and Safety Management & Enhancing Customer Safety at Business Sites" highlights the importance of dedication to prevent safety-related accidents at the business sites and facilities run by Hotel Lotte as well as effort to manage both employee and customer's health and safety.

Responsibility for the health and safety of workplaces and customers is a critical issue not only for ESG but also for corporate management. As the spread of infectious diseases, including COVID-19, has a great impact on corporate management, the related laws and regulations including the Serious Accidents Punishment Act have been reinforced accordingly. With these changes, customers' sensitivity about safety issues is increasing and the level of safety management required of companies is also rising continuously.

As such, Hotel Lotte endeavors to meet the expectations of both customers and stakeholders by continuously increasing the level of health and safety management within its workplaces and facilities, contributing to the creation of a safer society, and improving and developing the industry's reliability.

Goal and Strategy

Hotel Lotte aims to enhance future value by achieving zero-serious accidents. To this end, it is strengthening the company-wide safety culture and promoting a roadmap for reducing serious accidents.

Hotel Lotte is clearly aware that health and safety management is a key element for the sustainable management activities of Lotte Duty Free, Lotte Hotels & Resorts, and Lotte World, and takes the thorough and effective operation of the health and safety management system as its starting point.

Hotel Lotte continues to advance its health and safety system in order to eliminate risk factors in all its business sites, and to strengthen safety management so as to minimize the risks related to health and safety.

Principles, Internal Regulations, and Policies of Health & Safety

Hotel Lotte has established and implemented health and safety management policies and regulations for each business unit, based on the Safety and Health Principles of the "Consolidated Principles for Sustainable Management". The principles include the regulations on risk assessment, the health and safety management regulations related to raw materials, and the health and safety management regulations related to public facilities.

"With safety and health as the top priority in the operation of workplaces, Hotel LOTTE ensures that all activities are carried out only when safety is guaranteed."

From Article 4. Safety and Health Principles in the "Consolidated Principles for Sustainable Management"

Engagement and Conversation on Health and Safety Management

Hotel Lotte regularly provides opportunities for engagement and conversation on health and safety management at each business unit.

· Occupational Health and Safety Committee

- Making decisions on major safety-related activities
- Quarterly meetings (with same number of participation from labor and management)

* Lotte Hotels & Resorts: Business sites with more than 100 full-time workers

· Health and Safety Council

- Conducting safety-related training and sharing important matters
- Monthly meetings (with participation of partner companies)

Employees' Health Improvement and Support

Hotel Lotte investigates musculoskeletal risk factors and conducts psychological counseling to identify and eliminate potential work-related risks. In addition, it provides various programs and support systems including medical checkups, group personal accident insurance, and influenza vaccinations in order to enhance employees' overall health condition. The company also operates a health service room centered on business sites with a large number of employees in order to treat employees' illness and injuries immediately.

Occupational Health and Safety Education and Training

Lotte Duty Free conducts an evacuation drill on a quarterly basis at all business sites. As part of the comprehensive emergency response training, theoretical and experience education is provided during a visit to the Boramae Safety Experience Center. In addition, the company provides online and face-to-face legally-prescribed safety education, as well as job training based on the checklists for job-related personnel and employees.

Lotte Hotels & Resorts conducts online and mobile education on occupational health and safety on a quarterly basis as well as regular education and training for new employees. The company also thoroughly manages safety and hygiene by safety and hygiene training, on-site investigations and inspections. Based on this, the company has maintained the ISO22000 (Food Safety Management System) since 2012.

Lotte World provides health and safety education that is required for each job and period including monthly emergency simulation training as well as legally-prescribed occupational health and safety education. It also operates 'Finding Risky Day' program which enables employees to discover risk factors across the workplace and seek improvement measures. Furthermore, the company plans to expand the CPR education to all employees in order to strengthen its initial response capability in the event of emergency situations.



Material Issue | 01 Reinforcing Workplace Health and Safety Management & Enhancing Customer Safety at Business Sites

Establishment of the Health and Safety Management System and Risk Diagnosis

Hotel Lotte has established the health and safety management system and the risk diagnosis system and operates the standards and guidelines for each business unit so that the company can prevent and respond to accidents and disasters effectively at the corporate level. In addition, to create the best and safest work environment, the safety performance department and the team of each business unit operates a decision-making system and informs all employees of the accident report system and the instructions for responding to emergency situations.

Lotte Duty Free has completed the follow-up audit of the ISO45001 certification and carried out joint internal and external inspections together with various experts to discover and improve risk factors at all business sites from various perspectives. It has also conducted a fire drill at the Main DownTown Store, World Tower DownTown Store, and distribution center. In addition, it operates Stop Work Authority (SWA) system so that, whenever a worker detects a work-related risk factor, he or she can stop the work and directly report the situation to the safety manager. Furthermore, the company has introduced a system for evaluating the safety and health standards of the partner companies, enabling the selection of suppliers with the capability to prevent industrial accidents.

Lotte Hotels & Resorts has established and assessed the health and safety management system in response to the Serious Accidents Punishment Act. It has also reviewed the plan to improve the health and safety securing system so as to deduce the necessary improvement tasks and establish the safety management monitoring system. Furthermore, the company has established the workplace safety management guidelines so that its business sites can respond to dangerous situations not only in high season but also during routine operations; and, in the event of an accident or problem, employees can rapidly take action according to the reporting process system.

Lotte World conducts external workplace safety diagnosis and assessments once every half year. If any risk factors are identified at work, workers can immediately decide to stop working, and they can resume work after the risk factors have been reviewed and addressed. In addition, the company operates the Safety Guard (Shinmungo) System as a type of risk factor reporting platform. In particular, the company assigns safety personnel to habitual bottleneck areas, such as Lotte World Adventure, to take countermeasures to one-way traffic, etc.

Completion of the Follow-up Audit of ISO45001 (Health and Safety Management System)

The follow-up audit of the ISO45001 certification was carried out at all the business sites of **Lotte Duty Free** (7 stores and the distribution center) and **Lotte Hotels & Resorts** (Signiel Seoul and Buyeo Resort).



Rewards for Excellent Performance in Safety Management

Lotte Duty Free received a participation prize in recognition of its rapid response at the Fire-fighting Competition organized by Incheon City. **Lotte Hotels & Resorts** was selected as the best affiliate in the safety management assessment conducted by Lotte Group in 2022.



Reinforcement of Workplace Health and Safety Management Capability

Lotte Duty Free has resolved to increase the diagnosis and improvement assessment of the safety management performance of its partner companies from once to twice a year. Accordingly, the company has established the "Ten safety action principles of Lotte Duty Free" and carries out occasional inspections to strengthen the safety capability of its partners.

In addition, the company is establishing an online safety management platform to computerize safety documents and operate an online real-time crisis response system. Furthermore, in cooperation with the Safety Experience Center of the Fire & Disaster Headquarters, the company plans to expand its disaster safety and emergency rescue experience activities for all its employees, and holds workshops for its environment, health, and safety leaders with the aim of facilitating communication and cooperation among them.

Lotte Hotels & Resorts operates the "Safety Report (Shinmungo) System" to achieve zero serious accidents. This system is an online platform where employees can report work-related risk factors and share "near miss" cases, which are used as educational materials to raise all employees' awareness of potential risk factors. In addition, the company will reinforce the joint safety diagnosis - conducted together with the safety management supervisor, occupational health manager, and partners' managers in charge - of accident sites and establish practical measures to prevent the recurrence of such accidents.

Lotte World plans to obtain the ISO45001 (Health and Safety Management System) certification in 2023. To this end, it will implement the health and safety regulations and guidelines and establish the response strategy, the safety management guidelines, and the health and safety management standard system. It will also operate the safety committee for facility repair and construction sites and expand the safety inspection cycles in order to facilitate smooth communication and cooperation between safety managers and partners.

Index	Business Unit	Unit	2020	2021	2022
Total Recordable Incident Rate	Duty Free	%	0	0	0
	Hotels & Resorts 1,000,000 hours	%	0.30	0.91	1.89
TRIR	World 200,000 hours	%	0	0.26	0.24

* Total Recordable Incident Rate = No. of Recordable incidents / Working hour X Reference time

Material Issue | 02 Reinforcing Compliance and Ethical Management Practice & Risk Prevention and Management

Overview and Importance of the Issue

In Hotel Lotte's sustainable management, reinforcing compliance and ethical management practice, along with risk prevention and management, are the most fundamental and essential principles and issues for gaining trust from both internal and external stakeholders.

Reinforcing compliance and ethical management practice aims to ensure that Hotel Lotte's executives and employees observe the compliance and ethical management principles, while risk prevention and management aims to ensure that Hotel Lotte's executives and employees establish and operate the system to prevent and manage financial and non-financial risks.

Goal and Strategy

Hotel Lotte has established the goal of upgrading the ethical and compliance management system for its domestic business sites, and then strengthening the compliance practice system across its overseas business sites to the level of the domestic business sites.

Three strategies to advance the ethical and compliance management system for domestic business sites

- 1 Strengthen the compliance and ethical management through dedicated team operation and internal process establishment
- 2 Reduce the incidence of corruption through internal and external reporting and consistent monitoring
- 3 Improve employees' ethical awareness and minimize compliance risks through regular and specialized training

Three strategies to strengthen the compliance practice system for overseas business sites

- 1 Strengthen the education on compliance and ethical management principles and practice methods
- 2 Reinforce the leadership of local leaders and responsible individuals in compliance and ethical management
- 3 Vitalize the channels for reporting dishonesty and corruption, and reinforce the whistleblower protection and rewards

Principles, Internal Regulations, and Policies of Compliance and Ethical Management

Hotel Lotte has established the Code of Conduct and the compliance regulations for each business unit based on the Ethical and Compliance Management Principles of the "Consolidated Principles for Sustainable Management." The principles include regulations related to conflicts of interest and transactions with an interested person, the audit regulations, the regulations of the Management Committee, and the anti-corruption compliance regulations.

"Hotel LOTTE fully recognizes that ethical and compliance management are the most basic principles for practicing sustainable management."

From Article 2. Ethical and Compliance Management Principles in the "Consolidated Principles for Sustainable Management"

Operation of the Compliance and Ethical Management System

Hotel Lotte has established the Code of Conduct as the basic regulation that sets forth the right standards of behavior and value judgment for employees. The Code of Conduct presents the patterns of behavior required of employees in order to build trusting relationships with stakeholders including customers, employees, partners, shareholders, and local communities. In addition, the company is striving to become a fair and transparent company by establishing an anti-corruption policy that serves as the code of conduct for members, designed to prevent acts of corruption and bribery.

Hotel Lotte Code of Conduct

Hotel Lotte Co., Ltd. aims to create a fair and transparent corporate culture and practice socially responsible management in order to develop into a world-class, industry-leading company alongside the customers. To this end, Hotel Lotte Co., Ltd. has established the Code of Conduct, which sets out the basic principles that all employees must abide by and requires the employees to make a pledge to comply with the Code and the basic principles.

Hotel Lotte Anti-corruption Policy

To establish ethical management, Hotel Lotte Co., Ltd. has declared and implemented the following anti-corruption policy, which comprises the behavioral standards for preventing corruption and bribery that the employees are required to observe.

Key Indicators of Anti-corruption

Indicator	Detailed indicator	Unit	2020	2021	2022
Number and percentage of business sites that have undergone a corruption-related risk assessment*	No. of business sites	Sites	32	32	32
	Percentage of business sites	%	100	100	100
Communication and training on the anti-corruption policy and procedures	No. of people who obtained the information Governance	Persons	11	10	11
	Percentage of people who obtained the information Governance	%	100	100	100
Communication and training on the anti-corruption policy and procedures	No. of people who obtained the information Employees	Persons	4,934	4,697	4,855
	Percentage of people who obtained the information Employees	%	100	100	100
Communication and training on the anti-corruption policy and procedures	No. of people trained Governance	Persons	6	5	6
	Percentage of people trained Governance	%	55	50	55
Communication and training on the anti-corruption policy and procedures	No. of people trained Employees	Persons	4,934	4,697	4,855
	Percentage of people trained Employees	%	100	100	100

* Including Incheon Integrated Distribution Center

Material Issue | 02 Reinforcing Compliance and Ethical Management Practice & Risk Prevention and Management

Process for Establishing the Compliance and Ethical Management Culture

Hotel Lotte has established the corporate integrated policy of anti-corruption and ethical management and requires its employees to sign the compliance pledge. In addition, it has established and operates various processes designed to achieve the compliance and ethical management culture.

Lotte Duty Free carries out education and testing to strengthen the company's fair-trade capability and conducts regular audits and on-site inspections of departments and business sites judged to have a high risk of corruption. Also, by upgrading the suppliers' corruption risk process, the company implements pre-assessment of ethical management when signing new contracts or renewing existing contracts. Through this, the company identifies partners with high risks and conducts due diligence assessments of them. In addition, it receives the pledge to practice ethical management together with contracts from partner companies.

Lotte Hotels & Resorts carries out compliance monitoring through the whistleblower system for fair trade and provides education for all its domestic business sites and for each job position. The company researches the related law for each area and carries out written monitoring for the operational status of the related departments. Furthermore, the company posts the business-related laws for each operation area on the compliance webpage of the intranet, and, in the case of areas requiring improvement, it provides individual guidance to the relevant department.

Lotte World continues to disseminate the policy for preventing bribery and corruption through in-house postings. In addition, at the national holidays such as Seollal (Lunar New Year) and Chuseok (Korean Thanksgiving Day) it sends the CEO's integrity message, which explains that the company cannot exchange gifts with partner companies. It also operates the whistleblower system which enables employees who discover acts of dishonesty and corruption to immediately report them to the system. Reports received through this system are investigated and, if it is judged that there is a problem, the Personnel Committee takes the appropriate action, after which the case is notified to all employees to raise their awareness of the importance of compliance with ethical management, in order to prevent the recurrence of similar problems.

Acquisition of the ISO37001 and ISO37301 Certificates

ISO37001 (Anti-bribery Management System) provides guidance on the systematic management of bribery risks, which can occur during the company's operations, and on the practice of transparent and fair management. ISO37301 (Compliance Management System) specifies the requirements and provides the guidelines for observing and enforcing compliance with the laws required for a corporation to increase the value of its social responsibility and its level of compliance management and to develop into a sustainable organization.



Lotte Duty Free has endeavored to raise stakeholders' trust and improve its organizational value by conducting the follow-up audit of the ISO37001 certification and plans to acquire the ISO37301 certification (in 2023). In the meantime, **Lotte Hotels & Resorts** also prepared to acquire the ISO37001 and ISO37301 certificates from 2022 and obtained them in June 2023.

Campaigns to Practice Ethical Management

Lotte World carries out a monthly ethical management campaign under the slogan "Trustworthy Lotte World that Practices Ethical Management." It has also carried out a campaign to express employees' gratitude and love for customers, families, and colleagues.



Strengthening Compliance and Ethical Management Capability

Hotel Lotte conducts training and education on compliance and ethical management to strengthen its internal and external capabilities.

Lotte Duty Free spreads the message of strengthening compliance and ethical management to its employees and partners as well as conducting the existing activities and plans to expand the scope of the compliance pledge agreement from its employees to including its promoters and distribution partners. In addition, it will carry out offline education and testing aimed at strengthening its fair-trade capability, which was previously provided online during the COVID-19 pandemic.

Lotte Hotels & Resorts carried out compliance testing of its employees to raise their awareness of compliance and fair trade. It also posts the relevant information in-house so that employees can easily find the Code of Conduct and the Employment Rules. Moreover, it plans to require its employees to sign a common compliance pledge as the hotels and resorts have now been integrated.

Lotte World carries out education and activities designed to reinforce awareness of ethical management. It provided education on ethical management for its partner companies, required all its employees to sign the compliance pledge, and also received the "Compliance and Ethical Management Pledge" from employees in departments rated as intermediate level or higher in the bribery risk assessment. In addition, to reinforce compliance and ethical management in the supply chain, the company has included the "Ethical Management Practice Pledge" in the standard contract.

Furthermore, the company distributes ethical management posters to partners working at its business sites every month to encourage them to participate in the ethical management campaign. It also plans to increase the number of partners that are subject to the ethical management risk diagnosis and assessment from seven to ten and to develop the ESG Code of Conduct for partners by identifying risk levels and high-risk factors.

Tax Risk Management

Hotel Lotte complies with the domestic tax laws and the tax treaties concluded with countries in which the company has a stake, and faithfully fulfills its tax reporting and payment obligations. In addition, the company complies with the tax authority's data submission regulations for international transactions and strives to enhance its transparency with regard to international taxation. Hotel Lotte also reviews tax issues that may arise from its business activities - including goods and service transactions and international transactions - with external experts in advance and manages the risks accordingly.

Material Issue | 03

Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity

Overview and Importance of the Issue

Hotel Lotte selects the practice of human rights management, prohibition of discrimination, and respect for employee diversity as material issues in order to identify the status of the human rights of its employees, improve employees' working environment, welfare, and wages, recognize the diversity of its members, and prevent discrimination in employment and promotion.

In particular, as Hotel Lotte's business units - including Lotte Duty Free, Hotels, Resorts, and Theme Parks - must provide high-quality services, its employees' capabilities have a great impact on corporate sustainability. In addition, as facilities are visited and used by a wide variety of customers, it is essential to respect the diversity of customers and ensure that everyone can use the facilities conveniently and safely. Furthermore, all partner companies of Hotel Lotte must be ones that respect human rights and recognize diversity. In order to achieve human rights management at the level of global leading companies, we assess our human rights management and enhance human right education, and reinforce human rights practice.

Goal and Strategy

Based on the Lotte Group Charter on Human Rights Management, Hotel Lotte strives to systemize human rights management, establish a fair personnel system, and strengthen cooperation on human rights management with its partner companies.

To systemize human rights management, we carry out continuous improvements by identifying areas for improvement based on the results of an assessment of human rights management and human rights impact. To establish a fair personnel system, we carry out the following activities: ① Annual in-house labor inspection; ② Labor-Management Council: Implementing improvements in handling overall work environment grievances through quarterly labor-management council (town-hall meeting); ③ Human rights impact assessment for all employees. To raise the level of human rights management of our partner companies, we plan to expand the scope of the human rights impact assessment to our partners and implement the improvement tasks together with them.

Principles, Internal Regulations, and Policy of Human Rights Management

Hotel Lotte recognized the necessity of implementing a human rights management policy that meets the global guidelines, and accordingly established its human rights management policy in October 2022, when the corporation was integrated. The main contents of this policy include the principles of human rights management, the human rights management system, the Human Rights Management Committee, the human rights impact assessment, and the provision of relief from human rights violation. We have established and opened the policy of human rights management and the Lotte Group Charter of Human Rights Management as the internal regulations. In addition, Hotel Lotte is making efforts to spread and internalize the Human Rights and Labor Principles in the "Consolidated Principles for Sustainable Management" in order to realize human rights management in depth.

"Hotel LOTTE believes that the starting point for creating a sustainable society and company lies in respecting the human rights of each member of society without discrimination."

From Article 3. Human Rights and Labor Principles in the "Consolidated Principles for Sustainable Management"

Hotel Lotte's Human Rights Management Policy

Hotel Lotte aims for "human rights management" that can positively change not only customers' lives but also our society and aim to contribute to enriching human life. Accordingly, Hotel Lotte respects and put emphasis on the dignity and value of all its stakeholders in the entire management process across all business areas.

Detailed Operational Guidelines for Human Rights Management

Respect for Human Rights

Respect all executives and employees as human beings and strive to prevent any acts that constitute a violation of human rights

Anti-discrimination

Recruitment, employment, promotion, education, wages, and benefits are not discriminated against based on one's gender, race, nationality, skin color, age, religion, political beliefs, pregnancy, etc. without reason

Compliance with Conditions of Employment

Comply with the standards under the labor-related laws of each country and region regarding standard working hours, overtime hours, resting hours, and holidays

Freedom of Association

Give all executives and employees sufficient opportunities for communication in order to promote sound organizational development

Prohibition of Sexual Harassment and Bullying

All behaviors that cause sexual humiliation in the workplace are prohibited, and all acts of harassment that cause physical and mental pain, such as taking advantage of one's superiority in the workplace are prohibited

Protection of Customer Human Rights

All executives and employees shall prioritize the protection of customers' lives, health, and property in providing products and services, and endeavor to protect personal information collected through management activities or other routes

Prohibition of Forced Labor

Forced labor against any executive or employee is strictly prohibited. Mentally or physically restraining individuals through violence, intimidation, or confinement, etc., or holding their private information to enforce unwanted labor, is also strictly prohibited

Guarantee of Environmental Rights

Efforts are made to comply with the domestic and foreign environmental laws and to achieve carbon neutrality, environmental conservation, and resource circulation

Guarantee of Occupational Health and Safety

Consider the health and safety of all executives and employees as top priorities and make concerted efforts to create the best working environment

Prohibition of Child Labor

Do not employ children under the age of 15 (or comply with the child labor-related laws of each country and region), and the age of all new entrants is verified for this purpose

Stakeholder Human Rights Management System

To protect the human rights of all stakeholders, faithfully implement the human rights management system and process to prevent risks and monitor human rights issues

Responsible Supply Chain Management

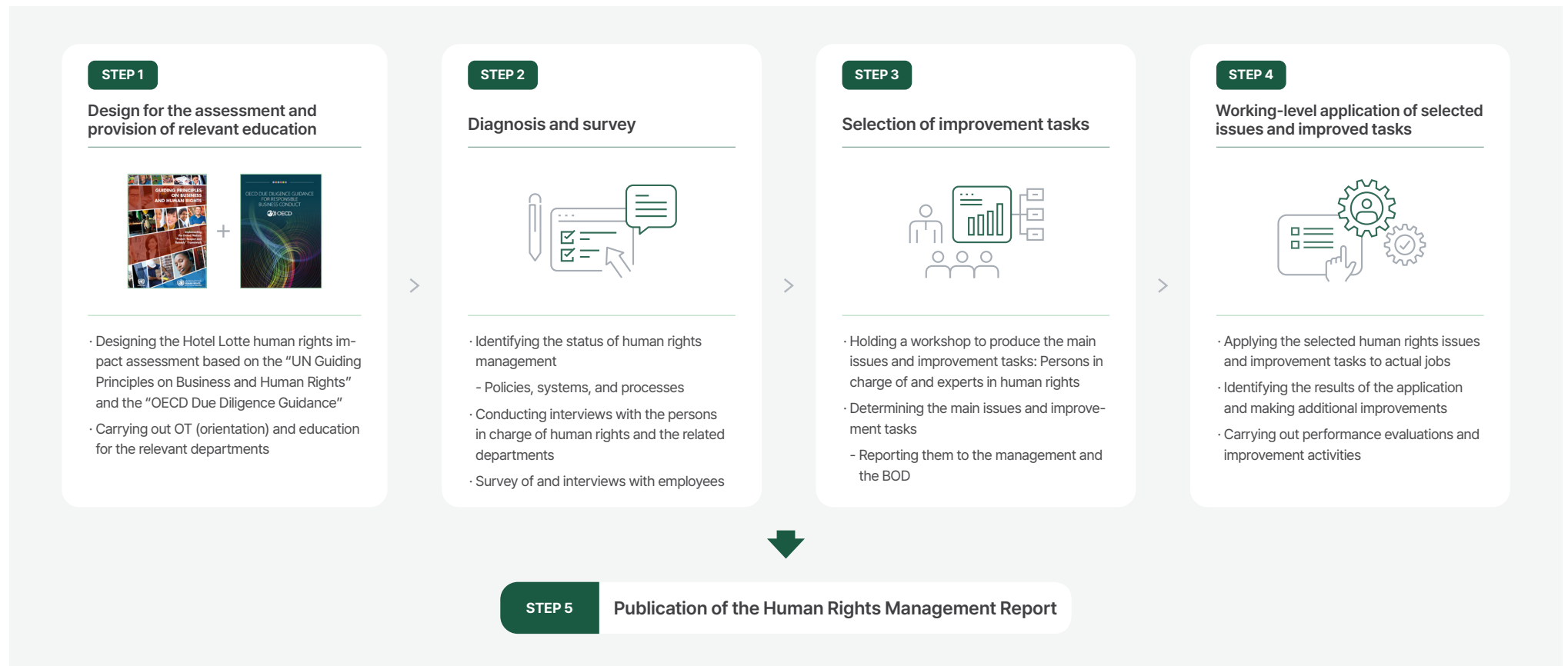
Pursue mutual development and an underlying equal relationship with partner companies and assist and cooperate with them in practicing human rights management

Material Issue | 03 Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity

Human Rights Impact Assessment

Hotel Lotte began the human rights impact assessment in 2023 to implement its human rights management at the level of a global leading company. The assessment was carried out in five steps: Step 1: Design for the assessment and provision of relevant education, Step 2: Diagnosis and survey, Step 3: Selection of improvement tasks, Step 4: Working-level application of selected issues and improved tasks, and Step 5: Publication of the human rights management report. In 2023, we conducted an assessment of all employees (recruited directly by the company) at our domestic business sites, and we will expand it to our global business sites and partner companies in the future. The details of the assessment can be found in the "2023 Hotel Lotte Human Rights Management Report."

 The link to the 2023 Hotel Lotte Human Rights Management Report (Korean version)



Material Issue | 03 Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity

Improvements of the Corporate Culture (Great Place to Work) and Education on Human Rights

Hotel Lotte is striving to improve its corporate culture in order to become a great place to work and provides education on human rights.

Lotte Duty Free implements "the PC-OFF system" for a healthy work-life balance, the "time difference commuting system" for a flexible working environment, and the "Long Lunch" for a relaxing lunchbreak once a month. In addition, to create a good place to work for female employees, the company implements the following systems to protect maternity and support child rearing.

- For pregnancy: shortened work system during the pregnancy, prenatal diagnosis leave, and infertility diagnosis leave.
- For childbirth: nursing leave, maternity leave, congratulations and gift for childbirth.
- For childrearing: paternity leave, leave for child's admission to a school, education support expense, and on-site childcare.

Furthermore, we provide the psychological counseling program "i+ (Simple)" to examine the psychological health of employees and promotion staff. We also conducted education on human rights for all employees in 2023 in order to spread the human rights management policy, which was established in 2022.

Lotte Hotels & Resorts is striving to improve the work culture and work methods in consideration of all its members. Every Wednesday, the company has introduced initiatives such as "Focus Time" and "1 hour-earlier leave from work" to promote a healthier work-life balance. In addition, by activating the "electronic approval notification service," the company aims to reduce the time required for the approval and reporting process and to strengthen employees' job performance and cooperation.

Lotte World operates various programs designed to enrich its members' life and support their work-family life balance. The company carries out the "Family Love Day Campaign" which allows employees to leave work at the regular time," and offers "Lotte World Family Tickets" and a birthday cake for family members in order to create a happy working environment.

Employee Welfare System

[Work-family Balance Support]



Support for leave before and after childbirth

Support for maternity and childcare

Support for child admission care leave

On-site childcare

Mandatory parental leave for male employees

[Work-life Balance Support]



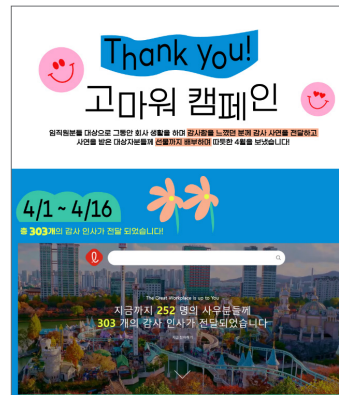
PC-OFF system

Designation of holidays interspersed with workdays

Psychological counseling service

Flexible working hours

Junior Board meetings



Activation of Communication Channels and Operation of the Junior Boards

Lotte Duty Free's Junior Board plays an important role in creating a great place to work by conveying young employees' opinions to the CEO directly.

Lotte Hotel & Resorts' Junior Board consists of various programs including a meeting for communicating with the CEO, and a joint athletic meeting for communicating with all subsidiary companies, in order to provide opportunities for young employees to innovate the corporate culture. In addition, the company holds the labor-management council (townhall meeting) to handle employees' grievances and improve employee welfare.

Lotte World also operates the Junior Board to create a corporate culture that reflects the current trend. The Board communicates with the CEO on how to improve the corporate culture every month and tries to develop various activities, such as the Thank You! campaign, to express employees' mutual respect and gratitude.

Material Issue | 03 Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity

Reinforcement of Member' Capabilities



Hotel Lotte operates a systematic training system and various programs designed to actively support its employees' workplace capabilities and has also established and faithfully implemented a long-term plan to advance the educational system for each job and position.

Lotte Duty Free conducts regular education programs on MD, finance, service academy, etc. to reinforce its employees' professionalism, as well as job re-skilling training to realize the efficient utilization of talents. It also provides various opportunities to strengthen employees' job capabilities, such as supporting their foreign language learning and external job training.

Lotte Hotels & Resorts has also created a new educational course for employees in new positions that consists of various training programs designed to strengthen employees' leadership, and also provides other courses, such as a sommelier training course and a general manager's training course, in order to discover and develop core personnel. In addition, the company has developed the Lotte Hotel Signature Service (LHSS) Curriculum to ensure that all chain hotels operate a standardized service training program.

Lotte World provides various educational programs for new employees, leadership reinforcement, and new business incubation in order to reinforce its members' job competence. The company also carries out the Service Level-Up Course to provide the best service to customers so that all on-site workers at customer contact points can acquire the service skills and attitudes required to deal rapidly with various situations.

Programs to Prepare Employees' Retirement

Lotte Duty Free	Lotte Hotels & Resorts	Lotte World
<p>Reemployment support program</p> <p>Self-exploration, career planning, start-up education, financial management, health management, 1:1 consulting</p>	<p>Begin</p> <p>Mandatory education to support prospective retirees</p> <hr/> <p>Again</p> <p>Optional education designed to help prospective retirees acquire qualifications</p>	<p>Outplacement education</p> <p>Once a year</p>

Supporting Non-regular and Part-time Workers

Hotel Lotte is committed to providing all its members with a safe and happy working environment.

Provision of rest and relaxation areas

All of **Lotte Hotel's** business sites provide rest areas so that workers dispatched by partner companies can work in a comfortable environment.



Various welfare benefits

Lotte Duty Free operates commuter buses to help employees of the Incheon Distribution Center commute long distances to and from work. **Lotte Hotels & Resorts** provides a similar level of benefits, such as national holiday and foundation day points, a summer vacation bonus, etc. for both regular and non-regular employees according to their number of consecutive years of service.



"Cast" compensation and support system

Lotte World operates a variety of compensation and approval systems for "casts" who are defined as non-regular workers working closest to the customers.

- Issuing Lotte World invitation tickets to employees who have worked for 4, 8, and 12 months
- Providing necessary products to prepare for working in summer (sunscreen, ion drinks, saline glucose, ice cream, etc.)
- Conducting regular surveys and meetings



Material Issue | 04 Resource Saving and Waste Reduction

Overview and Importance of the Issue

Hotel Lotte selects resource saving and waste reduction as material issues in order to save resources and reduce waste throughout its entire business processes. Hotel Lotte's business units, such as Duty Free, Hotels & Resorts, and Theme Parks, use a lot of natural resources and generate a considerable amount of waste at the same time. Thus, the efficient use of limited resources, and the minimizing and recycling of wastes are very important issues for Hotel Lotte's environmental management.

Goal and Strategy

Hotel Lotte is currently preparing to acquire the ISO14001 certification and to establish the environmental management system at all its domestic business sites by 2025 in order to save resources and reduce waste. It also plans to advance the waste management system in order to contribute to developing sustainable tourism and leisure activities. Through this, the company will expand the scope of its recycling activities in the medium to long term and substantially improve its resource recycling rate. Hotel Lotte is clearly aware that resource saving and waste reduction not only protect the environment, reduce the consumption of resources, and cut the costs of waste disposal, but also constitute a management strategy that can attract customers who are committed to eco-friendly consumption.

Three strategies to advance the waste management system

- ① Establish an internal data system and strengthen evaluation management in order to encourage reduction according to the waste generation goals
- ② Expand the use of eco-friendly packing materials
- ③ Discover products that can be upcycled and promote the purchase of eco-friendly products

Principles, Internal Regulations, and Policies for Resource Saving and Waste Reduction

Hotel Lotte has established and implemented detailed principles for Waste Reduction and Resource Recycling, Energy Saving and Efficiency Water Resource Management and Wastewater Discharge, based on the Environmental Management Principles of the "Consolidated Principles for Sustainable Management".

"To minimize waste generation, Hotel LOTTE manages all necessary purchasing activities as efficiently and effectively as possible from the planning stage and preferentially purchases materials and goods that generate as little landfill and incineration waste as possible. We also carry out separate discharge and collection for resource recycling at all points of facility operation and customer service so that used resources and goods can be recycled and reused."

From Waste Reduction and Resource Recycling

"Hotel LOTTE minimizes its environmental impact through energy saving and efficiency. We preferentially use high-efficiency products, parts, and technologies when purchasing, replacing, installing, or repairing goods, equipment, vehicles, and facilities while establishing and implementing specific goals and implementation plans for energy-saving and efficiency in facility operation and customer service delivery."

From Energy Saving and Efficiency

"Hotel LOTTE minimizes water use and wastewater discharge through optimal water resource management. To this end, we will continuously increase the use of rainwater and greywater and comply with wastewater treatment standards set by each country."

From Water Resources Management and Wastewater Discharge

Management of Significant Waste-related Impacts

Hotel Lotte generates various types of waste in its operations, whereas **Lotte Duty Free** mainly generates by-products (such as scrap paper, wood, waste vinyl, packaging materials, etc.) during the product stacking process, and **Lotte Hotels & Resorts** and **Lotte World** generate general types of waste and food waste produced by customers.

Hotel Lotte is constantly seeking ways to reduce or circulate such wastes as much as possible. In particular, scrap paper and wooden pallets generated at **Lotte Duty Free** are recycled, while other waste wood is sent from a recycling factory to a factory for producing plywood MDF (Medium Density Fiberboard) to produce recycled products or is processed into solid fuel to produce energy such as steam and electricity through a combined heat and power plant. In addition, waste vinyl and synthetic resins are pulverized and used as fuel for cement kilns.

Indicator	Detailed indicator	Unit	2020	2021	2022
Wastes	Total	Tons	6,238	5,323	7,988
	Recycling	Tons	2,387	2,409	4,649
	Disposal	Tons	3,852	2,914	3,339

Material Issue | 04 Resource Saving and Waste Reduction



Expansion of the Use of Eco-friendly Shopping Bag and Smart Receipt

Lotte Duty Free has expanded the use of eco-friendly shopping bags and Smart (digital) receipts, thereby achieving a notable reduction of waste.

To improve its packaging materials, the company changed the existing material used to make vinyl shopping bags to FSC-certified paper material and introduced reusable tarpaulin bags to replace disposable plastic air caps for packaging in October 2022. These initiatives enabled the company to reduce single-use plastic waste generated at its airport duty-free product pickup points by more than 80%, and the use of air caps for packaging by 11%, compared to the same period of the previous year. Such changes have also led to greater logistics efficiency by reducing logistics costs by approximately 41%. Furthermore, the company plans to recycle packing boxes in order to use them as cushioning materials in the future.

In addition, each business site has digitized its paper-based processes, resulting in an annual reduction of approximately 1.5 tons of carbon emissions. By switching to digital parking tickets, the company has annually reduced carbon emissions by 1.2 tons and cut down the number of paper receipts by approximately 1 million per year, resulting in a 0.3 ton reduction in carbon emissions.



Saving and Recycling Water Resources

Hotel Lotte continuously operates various facilities to reduce water consumption and recycles rainwater and sewage for daily use. Whenever it establishes a new hotel or remodels an existing hotel or facility, **Lotte Hotels & Resorts** strives to prioritize the installation of water-saving certified products for showers and faucets in rooms. Meanwhile, Lotte World continuously uses greywater supplied by its greywater plant for public toilets. Lotte Resort has installed water-saving faucets in the public spaces of its business sites and in the toilets for employees and recycles sauna water for use in landscaping. As for Lotte Resort Sokcho, it has installed a 200-ton water tank in order to use stored rainwater as landscaping water. Since 2020, Lotte Skyhill CC Jeju has been installing rainwater bearers and water storage tanks.

Lotte World operates a greywater plant that purifies domestic wastewater for reuse. Located in the Lotte business complex in Jamsil, the Lotte World greywater plant purifies and reuses domestic water to conserve water and prevent the pollution of river water pollution caused by domestic sewage discharge. Lotte World treats an average of around 1,850 tons of greywater daily, leading to an annual water savings of approximately 300,000 tons.

Treatment Process of Greywater Supply by Stages

1st Treatment

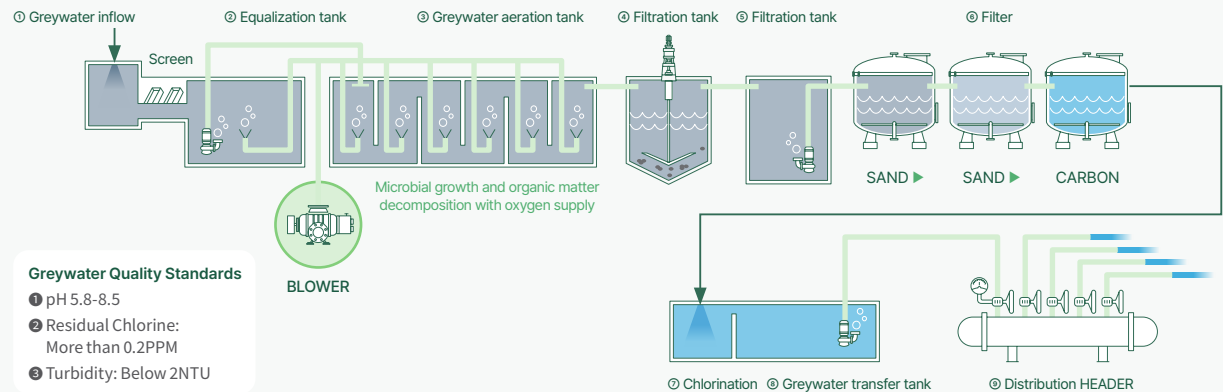
Removal of coagulation/sedimentation inhibitors (such as suspended substances, organic substances with a large molecular weight, etc.) by flocculating them after stabilizing the secondary treatment tank by removing impurities and lumpy solids and minimizing flow alteration

2nd Treatment

Biological treatment to make water quality suitable for greywater by removing suspended solids, organic matter, etc. during drainage (using contact oxidation method)

3rd Treatment

Final treatment to make water quality suitable for reuse by chlorination after removing fine particles and persistent organic pollutants



Material Issue | 04 Resource Saving and Waste Reduction

Resource Recycling and Waste Reduction Program

Lotte Hotels & Resorts, as a participant in the virtuous cycle of resources project, produces goods for pet dogs with waste linen. L7 Myeongdong held the upcycled hanbok (traditional Korean clothes) exhibition event, for which upcycled hanbok clothes were produced by Korean Master Artisan of Hanbok-Making Chun-hwa Park and students of the Department of Fashion Design of Seoul Design High School, using waste linen generated by hotels.



Lotte World produced hip sacks and cross bags by recycling waste banners and sold them online. In addition, Lotte World Adventure Busan recycled disposable raincoats made of PE (polyethylene), reducing plastic wastes by about 21 tons per year. The company also carried out the Green World Campaign as a part of the virtuous cycle of resources project.



Expansion of Waste Reduction and Advancement of the Management Process

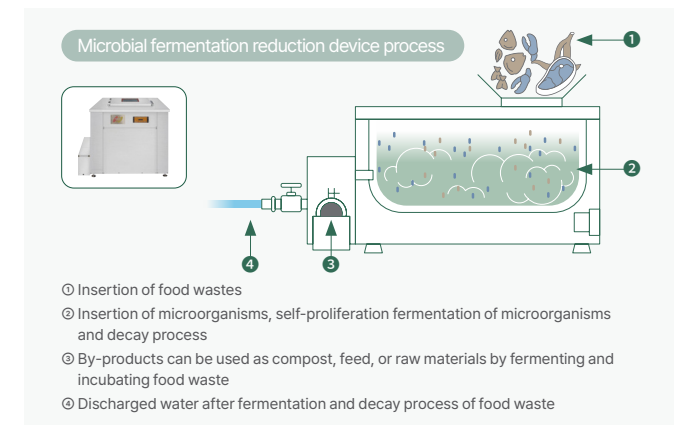
Hotel Lotte will continue to introduce eco-friendly packaging materials and upcycled products and carry out campaigns and activities aimed at improving awareness of the importance of recycling. It will also build a precise and systematic waste management process by further developing and improving the waste data system.

Lotte Duty Free aims to increase the use of eco-friendly packaging materials throughout all its operations. It also plans to reproduce waste packaging boxes into cushioning materials by using a drilling machine, in order to realize a sustainable circular economy through a virtuous resource cycle.

Lotte Hotels & Resorts performs the waste linen circulation project by promoting cooperation with subsidiary companies on the production of eco-friendly shopping bags (e.g. Lotte Aluminum produces eco-friendly paper bags and supplies them to Lotte Department Stores). After the trial introduction of food waste processors in the second half of 2023, the company will review the possibility of increasing them in order for food waste reduction.

Lotte World is continuously operating the eco-friendly food waste processor introduced in 2021. In addition, it plans to expand upcycling activities by re-using the wastes generated at its business sites, and it is carrying out a campaign to activate the purchase of green (eco-friendly) products, raising employees' enthusiasm.

Eco-friendly food waste processor



Material Issue | 05 Increasing Sustainable Products and Services

Overview and Importance of the Issue

Hotel Lotte aims to increase the products and services planned and/or made in a sustainable way to its customers.

Products and services made in a sustainable way minimize negative impacts while maximizing positive impacts on the sustainability of the environment and society throughout the entire business process, encompassing raw material production and processing, transportation, product manufacturing, packaging, sales and distribution, after-sales service, and waste disposal.

As customers' awareness of sustainability centered on environmental protection increases, the demand for sustainable products and services is increasing accordingly.

In response to such changes and as part of its sustainable management and business differentiation strategy, Hotel Lotte, which has businesses in tourism, accommodation, service, entertainment and distribution, aims to increase the sales of eco-friendly materials, the use of eco-friendly raw materials, the operation of eco-friendly stores and rooms, and the application of universal designs.

Goal and Strategy

In order to expand the provision of sustainable products and services, Hotel Lotte aims to increase the use of eco-friendly materials and expand the application of universal design to more business sites.

To achieve this, Hotel Lotte plans to expand the Green Purchase Code company-wide to make it easier for customers to identify the purchase and use of eco-friendly products. Additionally, the company will expand the application of universal design at its business sites to minimize customers' inconvenience in using facilities due to age, disability, and other physical restraints.

Principles, Internal Regulations, and Policies for Providing Sustainable Products and Services

Hotel Lotte has established policies for Sustainable Products and Services based on the "Consolidated Principles for Sustainable Management."

"Hotel LOTTE considers sustainability an important criterion in selecting products and services for our customers. By expanding the range and types of products and services with trustworthy sustainability certification, we will enable customers to compare and evaluate sustainability values when choosing products and services."

From Article 6. Customer Principles
(© Sustainable Products and Services)
in the "Consolidated Principles for Sustainable Management"

Becoming a Company that Provides More Sustainable Products and Services

Hotel Lotte will not only provide sustainable hospitality to its customers by improving its spaces and products but will expand its customer participatory programs in order to take the lead in enhancing social awareness of the joys of sustainable consumption.

Lotte Duty Free plans to expand the use of recyclable packaging and the composition of recycled nylon products in order to strengthen its eco-friendly product groups. It also plans to expand its brand donation event and eco-friendly class in order to encourage customers' participation. In addition, it will expand its eco-friendly product groups and eco-friendly stores, and, when warehousing products, use shipments with relatively low carbon emissions for eco-friendly transportation.

Lotte Hotels & Resorts is committed to providing more sustainable products and services by expanding its customer participatory programs along with its current programs and policies, such as the use of grey card and bulk-size amenities, in order to further promote sustainable management.

Lotte World is converting the items used by customers, such as straws and shopping bags, into eco-friendly materials, and plans to expand its range of fundamentally sustainable products and services by actively changing the materials.

Environmental Campaigns with Customers

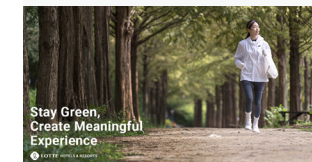
To celebrate "Earth Day" on April 22, Lotte Duty Free held an event with L'Occitane in which \$1 was accumulated for each hand cream purchased, resulting in the donation of \$30,000 to the Seoul Green Trust. In addition, the company has expanded its eco-friendly furniture range and the number of stores with an eco-friendly concept, such as the Sulhwassoo shop, at its cosmetics corner in downtown stores' cosmetic corner, and in the Gimpo Airport Store, Gimhae Airport Store, and Sydney Store.

In 2022, Lotte Hotels & Resorts introduced a customer participatory campaign called "Green Traveler." During the campaign period, the company provided eco-friendly plogging kits to hotel guests who applied to participate in the campaign and held a plogging activity photo uploading event in which the company offered the participants a variety of prizes such as eco-friendly amenity sets, hotel accommodation vouchers, and buffet vouchers.

Lotte World carried out the environmental protection campaign "2022 Hanmaeum Ssedam Geotgi" (Ssedam Geotgi means "plogging") together with all its employees. During the campaign, Lotte World's employees walked along the 10-kilometer-long section of the Songpa Dullegil Trail in order to clean up the environment and delivered a donation for the project to create an urban forest creation to the Seoul KFEM (Korea Federation for Environmental Movements).



Lotte Duty Free
Donation to the Seoul Green Trust



Lotte Hotels & Resorts
Operation of the "Green Traveler" campaign



Lotte World
Plogging (Ssedam Geotgi) and Donation

Material Issue | 05 Increasing Sustainable Products and Services

Sustainable Products and Services

Hotel Lotte is continuously expanding its eco-friendly duty-free stores, hotels and tourism facilities with the universal certification in order to offer sustainable tourism spaces and experiences.

Expansion of Eco-friendly Stores and Product Groups

Lotte Duty Free has increased the number of eco-friendly stores, and has built, in cooperation with AmorePacific Corporation, its new Gimpo Airport Store and Gimhae Airport Store with eco-friendly certified materials.

Its online duty-free shops are expanding their eco-friendly product groups and operating the select shop "Green Consumption" where users can search for eco-friendly products, and which has a collection of highly sustainable products, using its mobile application.



Universal Tourism Facility Certification

In 2022, five out of ten of the facilities of **Lotte Hotels & Resorts** in Seoul (Signiel Seoul, Lotte City Hotel Myeongdong, L7 Gangnam, L7 Myeongdong, and L7 Hongdae) were awarded the Universal Tourism Facility Certification by the Seoul Danurim Tourism Center, which is certified by Seoul City, after verifying and selecting convenient and safe tourism facilities for the disabled, the elderly, and the infirm.

Lotte Hotels & Resorts aims to increase the number of business sites with the universal design not only in Seoul but also at its domestic and overseas locations, and to raise the level of convenience and safety at its facilities.

Lotte World Aquarium and Seoul Sky were selected as the best facilities under the 2022 Universal Tourism Facility Certification System in recognition of their active efforts to improve convenience facilities for people with disabilities, such as reducing barriers in passageways, increasing the width of entrance/exit doors, and installing individual toilets for the disabled. Lotte World will continue making concerted efforts to improve the environment for tourists with disabilities at its business sites.



Provision of Expendable Supplies made of Eco-friendly Materials

Lotte World has replaced plastic straws and shopping bags, the annual consumption of which amounted to about 840,000, with biodegradable ones at Lotte World Adventure. Biodegradable materials have a faster natural decomposition rate than existing plastics, thus reducing the negative impact on the environment.



Material Issue | 06 **Customer Information Security**

Overview and Importance of the Issue

The purpose of Hotel Lotte's customer information security is to protect customer' personal information and ensure that it is used legally and appropriately. It is a very important topic, as the amounts of crimes and damages caused by the misuse of leaked personal information is rapidly increasing, and if the customer personal information held by a company is leaked or misused, not only will the company lose its credibility, but it might also cause a lot of damages.

Goal and Strategy

Hotel Lotte has never had an incident involving the misuse or leakage of its customers' personal information, and its ultimate goal is to maintain the current security status. The company has established the best possible personal information protection system and upgrades it continuously in order to maintain zero incidents of customer information leakage or/ and misuse.

It is also striving to establish information security systems of the highest level at both its domestic and overseas business sites. To this end, the company is expanding the scope of the ISMS-P (Personal Information & Information Security Management System) certification to include its global business sites and is preparing to acquire the ISO27701 (Information Protection Management System) certification.

Principles, Internal Regulations, and Policies of Customer Personal Information Security

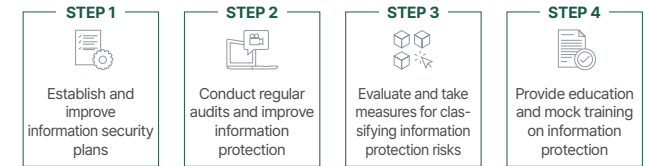
Hotel Lotte has established and manages information protection regulations for each business unit as well as the Consolidated Principles for Customer Privacy. The related regulations and guidelines include the Customer Information Management Regulations and the Privacy Guidelines.

"Hotel LOTTE does not collect customers' personal information without their consent or provide it to a third party. We do not use the information for any purpose other than to provide customers' personal information by following an accredited information protection system and prevent its leakage in accordance with relevant laws."

From Article 6. Customer Principles (© Customer Privacy) in the "Consolidated Principles for Sustainable Management"

Operational Process of Information Security

Hotel Lotte's personal information security operating process consists of the following four steps: ❶ Establishing and improving information security plans; ❷ Conducting regular audits and improving information security; ❸ Evaluating and taking measures for classifying information security risks; and ❹ Providing education and mock training on information security.



Number of personal information leaks

Indicator	2020	2021	2022
No. of leaks	0	0	0

Personal Information Security System

Hotel Lotte has established the personal information security system and carries out information security-related activities such as distributing information security guidelines, implementing information security performances, operating an organization dedicated to information protection, appointing CISO (Chief Information Security Officer) and CPO (Chief Privacy Officer) working-level groups, providing education on information security for employees, and acquiring the relevant certifications.

	Policy Establishment	Establishing Organizations	Acquiring Expertise	Information protection certification	Cooperation through a consortium with external specialized institutions
Administrative Protection Measures	<ul style="list-style-type: none"> Information Security Policy Management/physical/technical operation guidelines Personal information guidelines Information system security management 	<ul style="list-style-type: none"> CISO/CPO Information Security Organization and Committee 	<ul style="list-style-type: none"> Employee Information Security Training Information Security Day Event Operation Simulated Virus Email Training Partner Company Information Security Assessment and Training 		
Technical Protection	<ul style="list-style-type: none"> IPS/SHELL Monitoring Vaccine/ EDR 	<ul style="list-style-type: none"> Firewall/ Web Firewall DLP 	<ul style="list-style-type: none"> NW Access Control Anti-ransomware 		
Physical Protection	<ul style="list-style-type: none"> Designate Control Area 	<ul style="list-style-type: none"> Access Control 	<ul style="list-style-type: none"> CCTV 	Monitoring	

Material Issue | 06 Customer Information Security

Systematic Information Security and Safe Customer Information Management

Hotel Lotte operates a thorough security system to protect the valuable information of its customers. The company carries out group mock training on security viruses for employees on a quarterly basis in order to further raise employees' awareness of the risks of spam e-mails. Furthermore, through the revision of the information security policy and guidelines in 2022, the company has established a foundation for legal compliance with updated regulations.

Lotte Duty Free continues to maintain and acquire both domestic and overseas ISMS certifications, acquiring the ISO27017 (Information Security Management System for Cloud Services) certification for the first time in the duty-free industry. Certification of this international standard can be obtained by establishing and operating information security systems in accordance with its guidelines for creating a safe cloud-based environment.

At the beginning of 2023 Lotte Duty Free revised its information security policy and guidelines by reflecting changes in the Group's regulations, actualizing the relevant institutions' regulations, and updating the terminology according to the revision of the Personal Information Protection Act.

Lotte Hotels & Resorts has established and operates various security solutions such as DRM (Digital Restrictions Management) and ESCORT (Media Control Solution) to prevent leakages of important information. The company also provides in-depth information security training for managers and specific information-related departments and provides regular mock training on virus-infected e-mails in order to enhance employee's awareness of security risks, as well as conducting regular on-site inspections of personal information protection activities at franchised hotels and resorts.

Lotte World continues making efforts to improve its customer personal information and internal information systems through the "dualization" of the firewall system against system intrusions and failures. Furthermore, the company has participated in the APT (Advanced Persistent Threat) response training for private companies organized by KISA (Korea Internet & Security Agency) for all employees in order to emphasize the importance of dealing with spam e-mails. It also conducts mock security incident training once every half year so that each person in charge can rapidly deal with an actual security incident. It has assigned an information protection TFT manager to each business site to share the relevant agenda and other issues and to operate the information protection system between the HQ and each business site organically.

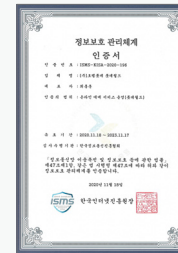
Acquisition of the ISO27017 Certification

Lotte Duty Free acquired the ISO27017 (Information Security Management System for Cloud Services) certification for the first time in the duty-free industry in 2022.



Expansion of the ISMS-P (Personal Information & Information Security Management System) Certification

Lotte Duty Free and **Lotte Hotels & Resorts** are committed both to maintaining the existing certification of the information security system for Internet homepage services and to expanding it. In addition, they carry out on-site inspections of information protection at franchised hotels in order to perform and manage the relevant information protection activities in each hotel's management, physical, technical, and privacy areas.



Reinforcement of Personal Information Security on Online Reservation Pages

Lotte World has reinforced the personal information security of its online theme park reservation pages to prevent leakages and unnecessary exposures of customer personal information. Accordingly, the company has strengthened personal information masking and introduced two-factor authentication for personal e-mails.

Acquisition and Expansion of International Information Protection Standard Certifications

Hotel Lotte aims not only to establish the internal system and provide training for employees related to information protection, but also to increase its acquisition of international standard certifications with international credibility.

Lotte Duty Free acquired the ISO27001 certification for the first time in the domestic duty-free industry in 2015 and has maintained it ever since. This certification is only given to companies that comply with the international standard in all activities related to their information management, such as the operation of a secure infrastructure for offline services, information protection management for overseas stores, and management of customer personal information. Based on such customer information protection and service stability, the company will continue to reinforce its information security activities in a drive to achieve a 100% diagnosis and implementation rate of the required information security level.

The company convenes the C-level group, the Information Protection Committee, once every half year, carries out quarterly security inspections of the headquarters office, and plans to conduct on-site status inspections of personal information management at all business branches. It will continue to inspect and improve the IT infrastructure for vulnerabilities on a regular basis and establish its information protection standard and architecture, including access control, encoding, and logging. In addition, it will reflect the revised Personal Information Protection Act in its guidelines and review the Act on the Protection and Use of Location Information along with the provision of location-based services.

Lotte Hotels & Resorts plans to acquire the ISMS (Information Security Management System) and ISO27001 (International Standard for Information Security) certifications for its Internet homepage services while integrating the hotel and resort business units.

Lotte World plans to build a personal information protection portal to enhance efficiency in its management of personal information. Through this, it aims to facilitate management of the current state and history of personal information, and education and inspection management for its partner companies, and to review personal information security. In addition, by unifying its communication channels and creating a portal site, it will introduce a function to update trace data for each inspection item of the ISMS (-P) and ISO27001 in order to establish a process for respond promptly to external organizations and various certification audits.

Material Issue | 07 Greenhouse Gas (GHG) Emissions Reduction

Overview and Importance of the Issue

The effort to reduce GHG emissions is of paramount importance. Hotel Lotte aims to reduce the six greenhouse gases emissions including carbon, all of which contribute to cause global warming, and ultimately to achieve Net Zero, where net emissions and net absorption are plus minus zero (± 0).

Global warming caused by GHG emissions is escalating climate crises around the world and has a negative impact on Hotel Lotte's business sites, including its hotels, duty-free stores, and theme parks. As it also has a significant impact on the occurrence of infectious diseases such as COVID-19, reducing GHG emissions is a very important issue and task for all the business units of Hotel Lotte.

Goal and Strategy

Together with the Lotte Group, Hotel Lotte set the clear goal of achieving "Carbon Neutrality by 2040" and has established and implemented GHG emissions reduction strategies in all areas.

Our key strategies for carbon neutrality are focused on maximizing energy efficiency and developing and expanding the use of renewable energy. Hotel Lotte operates business sites that consume large amounts of energy, including duty-free stores, hotels, resorts, and theme parks. Therefore, improving energy efficiency is a cost-saving strategy in addition to reducing GHG emissions.

In addition, the company is actively considering the installation of solar panels at each business site. Any goals that are not fulfilled by improving energy efficiency or expanding the use of renewable energy generation facilities will be supplemented by purchasing Renewable Energy Certificate (REC) and investing in renewable energy generation.

Internal Regulations and Policies for Reducing GHG Emissions

Hotel Lotte is continuously promoting a better understanding of the drive to reduce GHG emissions including CO₂ based on the Consolidated Principles for Environmental Management.

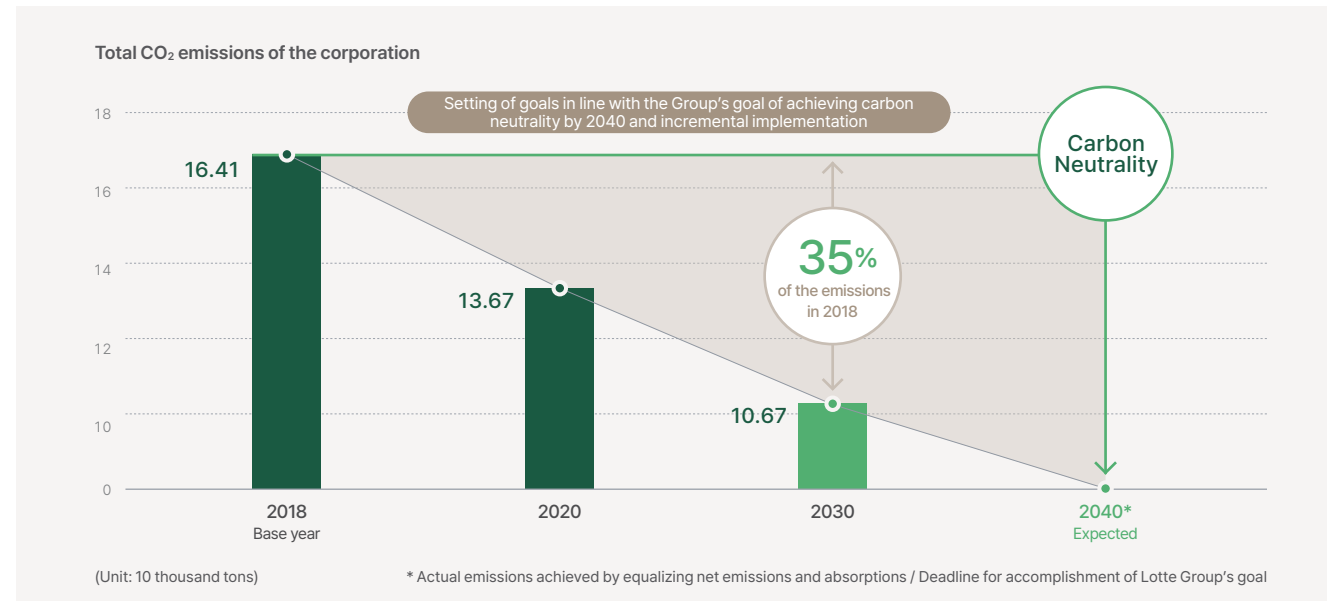
"Hotel LOTTE measures, records, and discloses six greenhouse gas emissions, including carbon dioxide, in a scientific manner to accomplish the LOTTE Group's "2040 Carbon Neutrality Declaration," and establishes carbon dioxide reduction goals and implementation plans to achieve them every year."

From Article 5. Environmental Management Principles
(© Carbon Dioxide Reduction) in the
"Consolidated Principles for Sustainable Management"

GHG Emissions

Detailed Indicator	Unit	2020	2021	2022
Direct GHG emissions Scope 1	Ton	37,660	39,488	45,609
Indirect GHG emissions Scope 2	Ton	99,201	98,591	110,715
GHG emissions intensity	tCO ₂ e/ KRW 100 million	3.56	3.00	2.41

Carbon Neutrality Road Map



Material Issue | 07 Greenhouse Gas (GHG) Emissions Reduction

Reduction of Energy Consumption and Use of Eco-friendly Energy

Hotel Lotte is striving to reduce its energy consumption and expand the use of eco-friendly energy in order to fulfill the Lotte Group's "2040 Carbon Neutrality Declaration."

Lotte Duty Free installed a solar photovoltaic (PV) facility at the 2nd Integrated Distribution Center after installing one at the 1st Integrated Distribution Center. It also introduced an electric vehicle for bonded transportation in 2021 and added six vehicles.

Since 2014, **Lotte Hotels & Resorts** has been continuously introducing solar and geothermal renewable energy to its newly opened hotels. As of 2022, the company reduced its total emissions by 1,046 tCO₂ by generating 1,145 Gcal of geothermal power and 443 Mwh of solar PV in total. In September 2022, its Ulsan Hotel entered the solar PV business, becoming the first hotel in Korea to self-consume its own REC (Renewable Energy Certificate). The company also introduced absorption turbo-refrigerating machines and carried out a low-carbon fuel project in order to reduce energy consumption.

Lotte World acquired the ISO50001 (Energy Management System) for efficient energy management and the reduction of energy consumption. In 2022, the company replaced existing refrigerators with absorption refrigerators, installed air conditioners equipped with a highly-efficient inverter, and replaced the transformers at its substations with new ones, thereby reducing its GHG emissions by approximately 2,626 tCO₂ per year.

Systematic Environmental Management by acquiring the ISO14001 certificate.

Lotte Duty Free acquired the ISO14001 certification in 2021 and has since maintained it at all its business sites through follow-up management. It will carry out a follow-up audit of its business sites, including the Jeju Airport Store, which was opened in 2023.

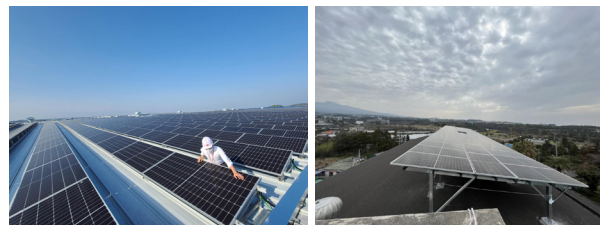
In addition, based on the ISO14001 requirements, the company, along with all its employees, endeavors to comply with the environmental regulations and to improve and resolve environmental issues.



Expansion of Renewable Energy (Solar photovoltaic (PV) Facilities)

Lotte Duty Free expanded the installation of a solar PV facility on the rooftop of the 2nd Integrated Distribution Center in November 2022, after installing the first one on the rooftop of the 1st Integrated Distribution Center in 2021. The company now generates more renewable energy, with an estimated power generation capacity of 526 MWh per year.

Meanwhile, **Lotte Hotels & Resorts** introduced a solar PV facility with an annual generation capacity of 23 MWh to the rooftop of Lotte Hotel Ulsan in September 2022. Initially, as the company registered itself as a power producer with the capacity to produce and sell electrical energy, it now consumes some of the energy generated via the REC system - the first case in the domestic hotel industry.



Systematic Management and Proactive Energy Reduction Activity Plans

Hotel Lotte plans to carry out systematic environmental management on a continuous basis by extending the ISO14001 certification to all its business sites, and to reduce energy waste by improving energy efficiency. In addition, it will establish a systematic response process and minimize environmental impacts and risks to enhance the competitiveness of its environmental management activities.

Lotte Duty Free will continue to maintain the ISO14001 certification and install and operate the electric vehicle charging station with two 100 kW-class fast chargers at the 1st Integrated Distribution Center. The fast charger, which is capable of charging up to four electric vehicles at the same time in a two-channel system, will use electricity produced by the solar PV facility at the 1st Integrated Distribution Center, which was established in 2021.

In June 2023 **Lotte Hotels & Resorts** acquired the ISO14001 certification for all its business sites and established the plan to install a solar PV facility capable of generating 135 MWh of power per year on the dormitory rooftop of Lotte Hotel Jeju and is currently implementing it.

Lotte World obtained the ISO14001 (Environmental Management System) certification at Lotte World Adventure for the first time in 2023, and now plans to extend the certification to all its domestic business sites by 2025. In addition, the company is preparing for the renewal audit to maintain the ISO50001 certificate in the second half of 2023. Following its efforts to improve facility energy efficiency so far, the company is carrying out diverse energy reduction activities, such as replacing inefficient refrigerators with highly-efficient refrigerators, installing automatic escalators, cleaning coolers, and installing dedicated hot water supply equipment, with the aim of further reducing electricity consumption by approximately 1,730 MWh (794 tCO₂) and LNG consumption by approximately 15,000 Nm³ (30 tCO₂). Furthermore, the company is doing its best to prevent environmental pollution by conducting regular environmental impact assessments to monitor GHG emissions, air pollutant emissions, and water pollution emissions.

PART 3.

ESG FACTBOOK

38 ESG DATA

47 GRI REPORT & INDEX

ESG DATA ECONOMY

Financial Performances

Hotel Lotte's financial performances are reported by dividing them into consolidated performance and domestic (separate) performance.

Consolidated Balance Sheet

Category	Unit	2020	2021	2022
Current assets	KRW million	3,485,737	3,127,290	3,088,461
Non-current assets	KRW million	15,345,498	14,891,313	15,707,687
Total assets	KRW million	18,831,235	18,018,603	18,796,148
Current liabilities	KRW million	3,700,498	4,143,851	5,716,892
Non-current liabilities	KRW million	8,306,809	7,450,190	6,146,371
Total liabilities	KRW million	12,007,307	11,594,041	11,863,263
Equity attributable to shareholders of the parent company	KRW million	(1,457,494)	(351,542)	425,074
Total equity	KRW million	6,823,928	6,424,562	6,932,885
Total liabilities and equity	KRW million	18,831,235	18,018,603	18,796,148

Consolidated Statement of Comprehensive Income

Category	Unit	2020	2021	2022
Revenue	KRW million	3,844,452	4,596,667	6,495,048
Cost of goods sold	KRW million	3,228,205	2,834,720	3,108,438
Gross profits	KRW million	616,247	1,761,947	3,386,610
Selling, general, and administrative expenses	KRW million	1,113,867	2,023,018	3,466,549
Operating income (loss)	KRW million	(497,619)	(261,071)	(79,939)
Other income	KRW million	70,362	319,142	307,535
Financial income	KRW million	204,489	332,988	244,128
Financial cost	KRW million	639,762	362,215	580,466
Profit (loss) of joint ventures and associates	KRW million	105,348	195,855	164,594
Profit (loss) before income taxes	KRW million	(1,670,630)	(282,298)	(35,293)
Income tax expenses (profit)	KRW million	(190,726)	81,999	(452,800)
Net Income (loss)	KRW million	(1,479,903)	(364,297)	417,507
Other comprehensive income (loss) after tax	KRW million	(298,089)	(35,068)	90,057
Total comprehensive income (loss)	KRW million	(1,777,993)	(399,366)	507,563

Balance Sheet

Category	Unit	2020	2021	2022
Current assets	KRW million	2,645,583	2,345,668	2,221,326
Non-current assets	KRW million	13,525,335	12,693,017	12,900,987
Total assets	KRW million	16,170,918	15,038,685	15,122,313
Current liabilities	KRW million	3,304,793	3,153,333	4,266,953
Non-current liabilities	KRW million	6,300,517	5,807,757	4,742,076
Total liabilities	KRW million	9,605,310	8,961,090	9,009,029
Total equity	KRW million	6,565,608	6,077,595	6,113,284
Total liabilities and equity	KRW million	16,170,918	15,038,685	15,122,313

Statement of Comprehensive Income

Category	Unit	2020	2021	2022
Revenue	KRW million	3,502,452	4,180,573	5,575,941
Cost of goods sold	KRW million	2,901,409	2,552,703	2,614,933
Gross profits	KRW million	601,043	1,627,870	2,961,008
Selling, general, and administrative expenses	KRW million	861,178	1,786,484	3,012,234
Operating income (loss)	KRW million	(260,136)	(158,613)	(51,226)
Other income	KRW million	101,910	360,429	194,348
Financial income	KRW million	266,851	367,143	234,590
Financial cost	KRW million	738,757	433,618	461,399
Profit (loss) before income taxes	KRW million	(1,714,744)	(358,238)	(184,670)
Income tax expenses (profit)	KRW million	(247,690)	26,722	(233,703)
Net Income (loss)	KRW million	(1,467,053)	(384,960)	49,033
Other comprehensive income (loss) after tax	KRW million	(194,895)	(103,053)	(13,344)
Total comprehensive income (loss)	KRW million	(1,661,949)	(488,013)	35,689

ESG DATA ECONOMY

Hotel Lotte's 2022 Sustainability Report is its first report to be published in accordance with the GRI Guidelines. As such, it differs from the existing 2021 ESG Story's reporting scope and data with regard to the method of aggregating information and other criteria. The company will continue to comply with the global guidelines and improve the completeness of reporting.

GRI No.	Index	Detailed index	Unit	2020	2021	2022	Notes	
2-21	Annual total compensation ratio	Annual total compensation	Highest paid-individual	KRW million	1,753	2,002	2,122	Refer to Hotel Lotte's Annual Business Report
			Employees	KRW million	52	51	57	Refer to Hotel Lotte's Annual Business Report
			Ratio	Increase	33.7	39.3	37.2	Calculation formula: Annual total compensation for the highest paid-individual / Median annual total compensation for all employees
		Percentage increase in annual total compensation	Highest paid-individual	%	-47.5	14.2	6.0	Refer to Hotel Lotte's Annual Business Reports
			Employees	%	-1.9	-1.9	11.8	Refer to Hotel Lotte's Annual Business Reports
			Ratio	Increase	25.1	-7.4	0.5	Calculation formula: Percentage increase in annual total compensation for the highest paid-individual / Median percentage increase in annual total compensation for all employees
201-3	Defined benefit plan obligations and other retirement plans	Amount of retirement pension paid in the relevant year: Total amount accumulated as defined benefit type pension	KRW 100 million	849	1,286	980		
202-1	Rates of standard entry level wage by gender compared to local minimum wage	Men	%	127.8	127.5	124.8	Average of business units (The minimum wage is the same in all regions of Korea)	
		Women	%	127.8	127.5	124.8		
202-2	Proportion of senior management recruited from the local community		%	100.0	100.0	100.0	Based on team leader or higher positions, within Korea	
207-4	Country-by-country reporting (Tax)	Pre-tax loss	KRW 100 million	-1,714	-358	-185		
		Nominal tax amount	KRW 100 million	0	0	0		
		Valid tax rate	%	0	0	0		
		Tax amount to be paid	KRW 100 million	0	0	0		
		Tax rate to be paid	%	0	0	0		

ESG DATA

ENVIRONMENT

GRI No.	Index	Detailed index	Unit	2020	2021	2022	Notes
302-1	Energy consumption within the organization (including renewable energy) ¹⁾	Heating & cooling	TJ	723	759	881	
		Electricity	TJ	2,034	2,051	2,303	
		Steam	TJ	15	17	18	
		Total	TJ	2,757	2,812	3,184	
302-3	Energy intensity	Total energy consumption / Sales	TJ/ KRW 100 million	0.07	0.06	0.05	
302-4	Reduction of energy consumption	Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives	TJ	106	91	131	
302-5	Reductions in energy requirements of products and services	Reductions in energy requirements of sold products and services achieved during the reporting period	TJ	0	0	0	
303-3	Water withdrawal	Water supply	Ton	2,666,464	3,037,917	3,755,941	
		Treated water supply	Ton	93,366	101,218	137,053	
		Total	Ton	2,759,830	3,139,135	3,892,994	
303-5	Water consumption	Total water consumption from all areas	Ton	2,759,830	3,139,135	3,892,994	
305-1	Direct (Scope 1) GHG emissions ²⁾		tCO ₂ -eq	37,660	39,488	45,609	
305-2	Energy indirect (Scope 2) GHG emissions ³⁾		tCO ₂ -eq	99,201	98,591	110,715	
305-4	GHG emissions intensity	Total GHG emissions / sales	tCO ₂ -eq/ KRW 100 million	3.56	3.00	2.41	
305-5	Reduction of GHG emissions		tCO ₂ -eq	6,240	5,820	6,832	
305-6	Emissions of ozone-depleting substances (ODS)	Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent	tCFC-11 eq	0	0	0	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Nitrogen oxides (NOx)	Ton	Information unavailable/incomplete	16.4	11.5	Impossible to collect the data for 2020
		Sulfur oxides (SOx)	Ton	Information unavailable/incomplete	Information unavailable/incomplete	Information unavailable/incomplete	Impossible to collect the data
306-3	Waste generated	Total volume	Ton	6,238	5,323	7,988	
306-4	Waste diverted from disposal	Total volume	Ton	2,387	2,409	4,649	
306-5	Waste directed to disposal	Total volume	Ton	3,852	2,914	3,339	

1), 2), 3) Hotel Lotte discloses the information based on the data in the emission statement submitted as a company participating in the GHG emissions trading scheme. There is a difference between the emissions and total emissions for each GHG, and the total emissions by business site. (The rounding down of decimals when summing up the direct/indirect emissions per business site)

ESG DATA SOCIAL

GRI No.	Index	Detailed index		Unit	2020	2021	2022	Notes	
2-7	Employees ¹⁾	Full-time employees	Type of Employment	Permanent employees	Person	4,250	4,177	4,154	
				Temporary employees	Person	684	520	701	
			Gender	Male	Person	2,702	2,506	2,523	
				Female	Person	2,232	2,191	2,332	
			Age group	Under 30 years old	Person	1,157	1,029	1,205	
				30-50 years old	Person	2,676	2,675	2,648	
				Over 50 years old	Person	1,101	993	1,002	
		Subtotal			Person	4,934	4,697	4,855	
		Part-time employees	Type of Employment	Permanent employees	Person	1	1	0	
				Temporary employees	Person	477	991	1,501	
			Gender	Male	Person	238	473	658	
				Female	Person	240	519	843	
			Age group	Under 30 years old	Person	434	925	1,362	
				30-50 years old	Person	23	39	72	
Over 50 years old	Person			21	28	67			
Subtotal			Person	478	992	1,501			
Total			Person	5,412	5,689	6,356			
2-8	Workers who are not employees	Total number of workers		Person	5,637	4,996	4,814	Service and dispatched workers	

1) Employees are counted based on the headquarters office, excluding registered executives and consolidated companies.

ESG DATA SOCIAL

GRI No.	Index	Detailed index	Unit	2020	2021	2022	Notes		
2-30	Collective bargaining agreements	Percentage of all employees covered by collective bargaining agreements	%	34.2	33.9	33.9			
401-1	New employee hires	Full-time employees	Type of Employment	Permanent employees	Person	262	215	349	
				Temporary employees	Person	392	301	635	
			Gender	Male	Person	348	234	407	
				Female	Person	306	282	577	
			Age group	Under 30 years old	Person	384	429	806	
				30-50 years old	Person	109	66	170	
				Over 50 years old	Person	161	21	8	
		Subtotal	Person	654	516	984			
		Part-time employees	Type of Employment	Permanent employees	Person	0	0	0	
				Temporary employees	Person	979	2,240	3,374	
			Gender	Male	Person	529	1,111	1,547	
				Female	Person	450	1,129	1,827	
			Age group	Under 30 years old	Person	913	2,148	3,200	
				30-50 years old	Person	43	55	107	
Over 50 years old	Person			23	37	67			
Subtotal	Person	979	2,240	3,374					
Total	Person	1,633	2,756	4,358					

ESG DATA SOCIAL

GRI No.	Index	Detailed index		Unit	2020	2021	2022	Notes	
401-1	Employee turnover	Full-time employees	Type of Employment	Permanent employees	Person	384	345	460	
				Temporary employees	Person	362	422	373	
			Gender	Male	Person	427	438	403	
				Female	Person	319	329	430	
			Age group	Under 30 years old	Person	371	353	494	
				30-50 years old	Person	134	184	246	
				Over 50 years old	Person	241	230	93	
		Subtotal	Person	746	767	833			
		Part-time employees	Type of Employment	Permanent employees	Person	0	0	0	
				Temporary employees	Person	1,791	1,743	2,900	
			Gender	Male	Person	890	882	1,378	
				Female	Person	901	861	1,522	
			Age group	Under 30 years old	Person	1,690	1,669	2,788	
				30-50 years old	Person	72	44	79	
				Over 50 years old	Person	29	30	33	
		Subtotal	Person	1,791	1,743	2,900			
		Total	Person	2,537	2,510	3,734			

ESG DATA SOCIAL

GRI No.	Index	Detailed index	Unit	2020	2021	2022	Notes	
401-3	Total number of employees entitled to parental leave	Male	Person	2,684	2,559	2,551		
		Female	Person	2,267	2,234	2,383		
	Total number of employees that took parental leave	Male	Person	78	86	65		
		Female	Person	135	119	133		
	Total number of employees who returned to work after parental leave	Male	Person	72	69	57		
		Female	Person	82	95	84		
	Total number of employees who returned to work after their parental leave ended and who were still employed 12 months after their return to work	Male	Person	63	69	63		
		Female	Person	80	74	81		
	Return to work and retention rates of employees who took parental leave	Return	Male	%	98.6	84.1	95.0	
			Female	%	92.1	95.0	95.5	
		Retention	Male	%	94.0	95.8	91.3	
			Female	%	87.0	91.5	85.3	

ESG DATA SOCIAL

GRI No.	Index	Detailed index		Unit	2020	2021	2022	Notes
403-8	Workers covered by an occupational health and safety management system	Total number of workers entitled to the coverage of an occupational health and safety management system		Person	5,412	5,697	6,385	All employees
403-9	Work-related injuries	Employees	No. of fatalities	Case	0	1	0	Calculation formula: No. of fatalities/total no. of employees as of year-end Including the no. of injuries recognized as industrial disasters
			Rate of fatalities	%	0.0	0.02	0.0	
			No. of recordable work-related injuries	Case	2	8	16	
			No. of hours worked	Hour	1,688,423	1,570,059	1,670,660	
403-10	Work-related ill health	Employees	No. of fatalities	Case	0	0	0	
			No. of cases of recordable work-related ill health	Case	0	0	0	
		Workers who are not employees	No. of fatalities	Case	0	0	0	
			No. of cases of recordable work-related ill health	Case	0	0	0	
404-1	Average hours of training per year per employee			No. of hours	46	48	55	Based on full-time employees
404-3	Percentage of employees receiving regular performance and career development reviews	Type of employment	Permanent employees	%	93.9	93.8	93.1	Based on full-time employees
405-1	Diversity of governance bodies and employees	Gender of the BOD members	Male	%	90.9	90.0	90.9	
			Female	%	9.1	10.0	9.1	
		Age group of the BOD members	Under 30 years old	%	0	0	0	
			30-50 years old	%	9.1	10.0	9.1	
			Over 50 years	%	90.9	90.0	90.9	
		Gender of employees	Male	%	54.3	52.4	50.2	
			Female	%	45.7	47.6	49.8	
		Age group of employees	Under 30 years old	%	29.3	34.2	40.2	
			30-50 years old	%	50.0	47.7	42.6	
Over 50 years	%		20.8	18.1	17.2			

ESG DATA

SOCIAL

GRI No.	Index	Detailed index	Unit	2020	2021	2022	Notes
405-2	Ratio of basic salary and remuneration of women to men		%	79.3	74.1	75.4	Refer to the average salary of employees by gender in the Business Report ¹⁾
406-1	Incidents of discrimination	No. of incidents of discrimination reported	Case	0	0	0	
413-1	Operations with local community engagement, impact assessments, and development programs	No. of business sites	Place	18	26	26	
		Rate of business sites	%	64.5	90.3	90.3	
415-1	Political contributions (money and goods)		KRW	64.5	90.3	90.3	
416-1	Assessment of the health and safety impacts of product and service categories	No. of business sites subjected to health and safety impact assessment	Place	32	32	32	Based on no. of business sites ²⁾
		Percentage of business sites subjected to health and safety impact assessment	%	100	100	100	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Total no. of incidents of non-compliance with the regulations	Case	0	5	2	Based on the legal regulations
		Incidents of non-compliance with the regulations resulting in fine or penalty	Case	0	1	2	Based on the legal regulations
		Incidents of non-compliance with the regulations resulting in a warning	Case	0	4	0	Based on the legal regulations
		Incidents of non-compliance with the internal regulations	Case	0	0	0	No cases of official measures such as disciplinary action
417-2	Incidents of non-compliance concerning product and service information and labeling	Total no. of incidents of non-compliance with the regulations	Case	0	0	0	
		Incidents of non-compliance with the regulations resulting in fine or penalty	Case	0	0	0	
		Incidents of non-compliance with the regulations resulting in a warning	Case	0	0	0	
		Incidents of non-compliance with the internal regulations	Case	0	0	0	
417-3	Incidents of non-compliance concerning marketing communications	Total no. of incidents of non-compliance with the regulations	Case	0	1	0	
		Incidents of non-compliance with regulations resulting in fine or the penalty	Case	0	1	0	
		Incidents of non-compliance with the regulations resulting in a warning	Case	0	0	0	
		Incidents of non-compliance with the internal regulations	Case	0	0	0	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Complaints received from external parties and substantiated by the organization	Case	0	0	0	
		Complaints from regulatory bodies	Case	0	0	1	
		Total number of identified leaks, thefts, or losses of customer data	Case	0	0	0	

1) Employees are counted based on the headquarters office, excluding registered executives and consolidated companies.

2) Includes the Incheon Integrated Distribution Center of Lotte Duty Free.

GRI REPORT & INDEX

Category	GRI No.	Index	Location	Notes
The organization and its reporting practices	2-1	Organizational details	p. 09, 11	
	2-2	Entities included in the organization's sustainability reporting	p. 02	
	2-3	Reporting period, frequency and contact point	p. 02	
	2-4	Restatements of information	-	This is the first Hotel Lotte Sustainability Report prepared according to the GRI Standards. Any parts that differ from the 2021 ESG Story Report are annotated and explained separately.
	2-5	External assurance	p. 60	

Category	GRI No.	Index	Location	Notes	Omission		
					Requirement(s) omitted	Reason	Explanation
Activities and workers	2-6	Activities, value chain and other business relationships	p. 11-12				
	2-7	Employees	p. 41				
	2-8	Workers who are not employees	p. 41				
Governance	2-9	Governance structure and composition	p. 13-14, 16				
	2-10	Nomination and selection of the highest governing body	p. 13-14				
	2-11	Chair of the highest governance body	p. 13				
	2-12	Role of the highest governance body in overseeing the management of impacts	p. 13, 16				
	2-13	Delegation of responsibility for managing impacts	p. 13, 16				
	2-14	Role of the highest governance body in sustainability reporting	p. 16				
	2-15	Conflicts of interest	p. 13	Refer to Hotel Lotte's 50th Business Report (p. 163)			
	2-16	Communication of critical concerns	p. 13, 16				
	2-17	Collective knowledge of the highest governance body	p. 13-14				
	2-18	Evaluation of the performance of the highest governance body	-	The indicator of sustainable management-related impacts of the organization has been reflected in the CEO's performance assessment. The performance assessment for other members will be introduced in the future.			

GRI REPORT & INDEX

Category	GRI No.	Index	Location	Notes	Omission		
					Requirement(s) omitted	Reason	Explanation
Governance	2-19	Remuneration policies	p. 13	Refer to Hotel Lotte's 50th Business Report (p. 340)			
	2-20	Process to determine remuneration	p. 13				
	2-21	Annual total compensation ratio	p. 39				
Strategy, policies and practices	2-22	Statement on sustainable development strategy	p. 3-6				
	2-23	Policy commitments	p. 3-6, 15-16, 22, 24				
	2-24	Embedding policy commitments	p. 16, 22, 24, 28, 33, 35				
	2-25	Processes to remediate negative impacts	p. 16, 23, 25, 34				
	2-26	Mechanisms for seeking advice and raising concerns	p. 16, 17				
	2-27	Compliance with laws and regulations	-	Refer to Hotel Lotte's 50th Business Report (p. 361)			
	2-28	Membership of associations	p. 59				
	2-29	Approach to stakeholder engagement	p. 17				
	2-30	Collective bargaining agreements	p. 42	The results determined by collective bargaining agreements are applied to all regular employees. However, some working conditions may differ depending on the division of the business units.			
Disclosures on material issues	3-1	Process to determine material topics	p. 19, 55 p. 58				
	3-2	List of material issues	p. 19				
	3-3	Management of material issues	p. 19-36				
Economic Performance	201-1	Direct economic value generated and distributed	p. 38				
	201-3	Defined benefit plan obligations and other retirement plans	p. 39				

GRI REPORT & INDEX

Category	GRI No.	Index	Location	Notes	Omission		
					Requirement(s) omitted	Reason	Explanation
Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 39				
	202-2	Proportion of senior management hired from the local community	p. 39				
Indirect economic impacts	203-1	Infrastructure investments and services supported	-		Information unavailable/incomplete	Impossible to collect the data	
	203-2	Significant indirect economic impacts	-		Information unavailable/incomplete	Impossible to collect the data	
Procurement practices	204-1	Proportion of spending on local suppliers	-		Information unavailable/incomplete	Impossible to collect the data	
Anti-corruption	205-1	Operations assessed for risks related to corruption	p. 22	No cases of official measures such as disciplinary action			
	205-2	Communication and training about anti-corruption policies and procedures	p. 22				
	205-3	Confirmed incidents of corruption and actions taken	-	Refer to Hotel Lotte's 50th Business Report (p. 361)			
Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	Refer to Hotel Lotte's 50th Business Report (p. 361)			
Tax	207-1	Approach to tax	p. 23				
	207-2	Tax governance, control, and risk management	p. 23				
	207-3	Stakeholder engagement and management of concerns related to tax	p. 23				
	207-4	Country-by-country reporting	p. 38				
Materials	301-1	Materials used by weight or volume	-		Information unavailable/incomplete	Impossible to collect the data	
	301-2	Recycled input materials used	-		Information unavailable/incomplete	Impossible to collect the data	
	301-3	Reclaimed products and their packaging materials	-		Information unavailable/incomplete	Impossible to collect the data	

GRI REPORT & INDEX

Category	GRI No.	Index	Location	Notes	Omission		
					Requirement(s) omitted	Reason	Explanation
Energy	302-1	Energy consumption within the organization	p. 40				
	302-2	Energy consumption outside of the organization	-			Information unavailable/incomplete	Impossible to collect the data
	302-3	Energy intensity	p. 40				
	302-4	Reduction of energy consumption	p. 40	[Lotte Hotels & Resorts] Fuel and electrical energy resources have been included [Lotte World] Operational efficiency, replacement of turbo refrigerators, inverters			
	302-5	Reductions in energy requirements of products and services	-	-		Information unavailable/incomplete	Impossible to collect the data
Water and effluents	303-1	Interactions with water as a shared resource	-	a. Direct water-related impacts [Lotte Hotels & Resorts] Direct water use related to guest hygiene in guestrooms, services related to water such as restaurants (food&beverage) cooking and resort's pools, and employee shower facilities in BOH spaces [Lotte World] Adventure rides and fountains, hot-water supply, kitchens, restrooms (sink) b. Identification of water-related impacts: Data management c, d. Water control and regional connections [Lotte Hotels & Resorts] Handling of matters related to facilities for adequate water supply and similar issues Operation of wastewater treatment facilities for the Seoul Laundry Plant [Lotte World] Grey Water Plant : Recycling water consumed in commercial environments * Not applicable to Lotte Duty Free			
	303-2	Management of water discharge-related impacts	-				
	303-3	Water withdrawal	p. 40				
	303-4	Water discharge	-			Information unavailable/incomplete	Impossible to collect the data
	303-5	Water consumption	p. 40				

GRI REPORT & INDEX

Category	GRI No.	Index	Location	Notes	Omission		
					Requirement(s) omitted	Reason	Explanation
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-			Information unavailable/incomplete	Impossible to collect the data
	304-2	Significant impacts of activities, products and services on biodiversity	-			Information unavailable/incomplete	Impossible to collect the data
	304-3	Habitats protected or restored	-			Information unavailable/incomplete	Impossible to collect the data
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-			Information unavailable/incomplete	Impossible to collect the data
Emissions	305-1	Direct (Scope 1) GHG emissions	p. 35, 40				
	305-2	Energy indirect (Scope 2) GHG emissions	p. 35, 40				
	305-3	Other indirect (Scope 3) GHG emissions	-			Information unavailable/incomplete	Impossible to collect the data
	305-4	GHG emissions intensity	p. 35, 40				
	305-5	Reduction of GHG emissions	p. 40				
	305-6	Emissions of ozone-depleting substances (ODS)	p. 40				
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	p. 40				
Waste	306-1	Waste generation and significant waste-related impacts	p. 28				
	306-2	Management of significant waste-related impacts	p. 28				
	306-3	Waste generated	p. 28, 40				
	306-4	Waste diverted from disposal	p. 28, 40				
	306-5	Waste directed to disposal	p. 28, 40				
Supplier environmental assessment	308-1	New suppliers screened using environmental criteria	-			Information unavailable/incomplete	Impossible to collect the data
	308-2	Negative environmental impacts in the supply chain and actions taken	-			Information unavailable/incomplete	Impossible to collect the data
Employment	401-1	New employee hires and employee turnover	p. 42-43				
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	Medical expenses, Financial support for children's tuition fee, etc.			
	401-3	Parental leave	p. 44				

GRI REPORT & INDEX

Category	GRI No.	Index	Location	Notes	Omission		
					Requirement(s) omitted	Reason	Explanation
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	-	<p>[Lotte Duty Free] Changes are notified within a sufficient period of time, usually around 1 month.</p> <p>[Lotte Hotels & Resorts] For matters that require agreement between labor and management, negotiations take place during the discussion phase with both parties sharing sufficient information. For matters such as promotion assessment criteria that don't require labor-management agreement, a pre-explanatory meeting is held at the beginning of the year for any changes to be made within the year, and explanatory materials are shared.</p> <p>[Lotte World] The details will be notified in the event of operational changes.</p>			
Occupational health and safety	403-1	Occupational health and safety management system	p. 20-21				
	403-2	Hazard identification, risk assessment, and incident investigation	p. 20-21				
	403-3	Occupational health services	p. 20-21				
	403-4	Worker participation, consultation, and communication on occupational health and safety	p. 20-21				
	403-5	Worker training on occupational health and safety	p. 20-21	<p>[Lotte Duty Free] Mandatory Safety Training, Job Training, Emergency Response Training</p> <p>[Lotte Hotels & Resorts] Safety and Health Training</p> <p>[Lotte World] Regular training once per month, Training for new employees, Special safety training, Training when changing job, Management supervisor training, Occupational health and safety manager training, Emergency simulation training and evaluation</p>			
	403-6	Promotion of worker health	p. 20-21				
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 20-21				
	403-8	Workers covered by an occupational health and safety management system	45				
	403-9	Work-related injuries	p. 21, 45	Limited to employees (insufficient information for non-employee workers)			
	403-10	Work-related ill health	p. 45				
Training and education	404-1	Average hours of training per year per employee	p. 45				
	404-2	Programs for upgrading employees' skills and transition assistance programs	p. 27				
	404-3	Percentage of employees receiving regular performance and career development reviews	p. 45				
Diversity and equal opportunities	405-1	Diversity of governance bodies and employees	p. 14, 45				
	405-2	Ratio of basic salary and remuneration of women to men	p. 46				
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	p. 46				

GRI REPORT & INDEX

Category	GRI No.	Index	Location	Notes	Omission		
					Requirement(s) omitted	Reason	Explanation
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-			Insufficient information	Impossible to collect the data
Child labor	408-1	Operations and suppliers at significant risk of incidents of child labor	-			Not applicable	Domestic legal prohibitions
Forced or compulsory labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-			Not applicable	Domestic legal prohibitions
Security practices	410-1	Security personnel trained in human rights policies or procedures	-			Information unavailable/incomplete	Impossible to collect the data
Communicate	413-1	Operations with local community engagement, impact assessments, and development programs	p. 46				
	413-2	Operations with significant actual and potential negative impacts on local communities	-			Information unavailable/incomplete	Impossible to collect the data
Supplier social assessment	414-1	New suppliers screened using social criteria	-			Information unavailable/incomplete	Impossible to collect the data
	414-2	Negative social impacts in the supply chain and actions taken	-			Information unavailable/incomplete	Impossible to collect the data
Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	p. 46				
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 46				
Marketing and labeling	417-1	Requirements for product and service information and labeling	-			Information unavailable/incomplete	Impossible to collect the data
	417-2	Incidents of non-compliance concerning product and service information and labeling	p. 46				
	417-3	Incidents of non-compliance concerning marketing communications	p. 46				
Protecting Customer Information	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 46				



* Incheon In-flight Duty Free Store, Baejje Cultural Land, and Lala Kids Adventure are excluded from the scope of reporting of this report due to insufficient information.

PART 4.

APPENDIX

55	Material Issue Impact Analysis
59	Affiliated Associations
60	Third-party Assurance Statement

Material Issue Impact Analysis

Priority	Area	Material Issues	Departments in charge	Economic, Environmental, and Social Impacts (IN↔OUT)	Opportunities/Risks ↔ Non-financial/Financial	UN SDGs
1	Customer Value + Social	Reinforcing Workplace Health and Safety Management & Enhancing Customer Safety at Business Sites	Lotte Duty Free Environmental Safety	OUT → IN <ul style="list-style-type: none"> Outbreak of the COVID-19 pandemic, and reinforcement of the global guidelines on safety management Reinforcement of the related laws and regulations, such as the Serious Accidents Punishment Act, Fire Safety Act, and Food Sanitation Act Increase in customers' sensitivity about safety issues and the level of safety management required of companies → The company is clearly aware that health and safety issues are key elements of corporate management as well as sustainable management activities 	Opportunities <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> Increase in corporate and brand reputation and reliability Increase in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> Reduction of expenses to be settled and legal costs incurred by incidents related to hygiene, health, and safety Increase in sales due to an increase in the number of customers 	
			Lotte Hotels & Resorts Safety Management Lotte World Safety Management	IN → OUT <ul style="list-style-type: none"> Acquisition of international safety certificates including ISO45001: Increased trust domestically and internationally within the industry Reinforcement of safety education for employees and workers: Decline in safety accidents at work and daily life, and reduction of social losses Zero percentage of safety-related incidents: Leading role in safety management in the same industry → Contributing to a safe society and improving domestic and international trust in the same industry 	Risks <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> Decline in corporate and brand reputation and reliability Decline in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> Increase in expenses of human resource management and labor management and occurrence of related accidents Decline in sales due to decline in the number of customers 	
2	Governance	Reinforcing Compliance and Ethical Management Practice & Risk Prevention and Management	Lotte Duty Free Ethics Management, Compliance Management	OUT → IN <ul style="list-style-type: none"> Continuous reinforcement of the global ESG guidelines related to compliance and ethical management Continuous increase in awareness of the laws and regulations related to compliance and ethical management Continuous increase in the demands of customers and stakeholders for compliance and ethical management → The company is clearly aware that compliance and ethical management constitute the most fundamental and essential management principles for the corporation and ESG and are a very important topic with which the company earns its reputation and reliability 	Opportunities <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> Increase in corporate and brand reputation and reliability Increase in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> Reduction of expenses to be settled for illegal cases Increase in sales due to increase in the number of customers 	
			Lotte Hotels & Resorts Management Diagnosis Compliance Lotte World Ethics Management	IN → OUT <ul style="list-style-type: none"> Acquisition of international ethical management certificates including ISO37001: Increase in corporate reliability Reinforcement of education and practices of ethical management for employees and workers: Enhanced sense of citizenship with ethical and compliance management Exemplary company in terms of compliance and ethical management: Leading role in the same industry → Contributing to a society characterized by compliance and trust, and improving domestic and international trust in the same industry 	Risks <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> Decline in corporate and brand reputation and reliability Decline in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> Increase in expenses to be settled for illegal cases including legal costs Decline in sales due to a drop in the number of customers 	

- **OUT → IN** The impacts of changes in the external environment related to the topic on Hotel Lotte
- **IN → OUT** The impacts of Hotel Lotte's situation related to the topic on the external environment
- **Opportunities** Opportunities to be gained when responding appropriately to the IN ↔ OUT impacts related to the topic
- **Risks** Risks that arise in the event of failure to respond appropriately to the IN ↔ OUT impacts related to the topic


Material Issue Impact Analysis

Priority	Area	Material Issues	Departments in charge	Economic, Environmental, and Social Impacts (IN↔OUT)	Opportunities/Risks ↔ Non-financial/Financial	UN SDGs
3	Social	Human Rights Management Practice & Prohibition of Discrimination and Respect for Diversity	Lotte Duty Free ESG/ HR /Corporate Culture Lotte Hotels & Resorts ESG/ HR /Corporate Culture Lotte World Talent & Culture	OUT → IN <ul style="list-style-type: none"> · Elevation of the global guidelines on human rights management and respect for DEI (Diversity, Equity, Inclusion) · Increase in social awareness and institutional level of human rights, diversity, and equity · Increase in the demands of customers, employees and partners for compliance and ethical management → Increase in social awareness for human rights management and respect for DEI (Diversity, Equity, Inclusion), and human rights management and DEI are established as the basic principles of corporate management → Increase in negative repercussions for acts disregarding human rights and discriminatory practices	Opportunities <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Increase in corporate and brand reputation and reliability · Increase in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> · Decline in expenses of human resource management and labor management and occurrence of related accidents · Increase in sales due to a rise in the number of customers 	   
			IN → OUT <ul style="list-style-type: none"> · Practice of global-level human rights management and DEI: Improvement of the situation surrounding human rights in the same global industry, contributing to an increase in their reliability · Reinforcement of education on and practice of human rights for employees: Contributing to the overall improvement of society's practice of human rights and DEI activities · Establishment and operation of the human rights management system: Leading role in human rights management in the same industry → Contributing to the creation of a society and industry where human rights and DEI values are realized	Risks <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Decline in corporate and brand reputation and reliability · Decline in satisfaction and loyalty of customers, employees and partners Financial <ul style="list-style-type: none"> · Increase in expenses for human resource management, labor management, and related accidents · Decline in sales due to decline in the number of customers 		
4	Environment	Save resources and reduce waste	Lotte Duty Free SCM Lotte Hotels & Resorts Engineering Lotte World Safety Management	OUT → IN <ul style="list-style-type: none"> · Reinforcement of the global guidelines on environmental management, resource saving, and waste reduction · Reinforcement of the regulations and control related to environment and waste, and rise in the cost of resources including water · Increase in customers' environmental awareness and rival companies' environmental management level → Environmental management that encompasses resource saving and waste reduction is the most important topic in ESG management and is becoming a differentiated competitive strategy → Continuous increase in cost of securing resources and disposing of wastes	Opportunities <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Increase in corporate and brand reputation and reliability · Increase in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> · Decline in expenses of securing resources including water, and of treating wastes · Increase in sales due to an increase in the number of customers 	
			IN → OUT <ul style="list-style-type: none"> · Contributing to sustainable development, protection of the global environment, and protection of natural resources · Contributing to the prevention of environmental pollution and the protection of natural resources · Customers' consumption of eco-friendly products and services, and leading role in eco-friendly management in the same industry → Contributing to environmental protection, and eco-friendly consumption and industrial development	Risks <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Decline in corporate and brand reputation and reliability · Decline in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> · Increase in expenses of securing resources, including water, and of settling environmental issues · Decline in sales due to a reduction in the number of customers 		

Material Issue Impact Analysis

Priority	Area	Material Issues	Departments in charge	Economic, Environmental, and Social Impacts (IN↔OUT)	Opportunities/Risks ↔ Non-financial/Financial	UN SDGs
5	Customer Value	Increasing Sustainable Products and Services	Lotte Duty Free ESG/Product Strategy	OUT → IN <ul style="list-style-type: none"> · Growth of global leading companies that produce sustainable products and services, and expansion of the sustainability certification on products and services · Expansion of eco-friendly and sustainability certification system · Increase in customers' demand for eco-friendly and highly sustainable products and services → The eco-friendliness and sustainability are becoming the most essential criteria to give a differentiated value to the products and services in the era of ESG	Opportunities <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Increase in corporate and brand reputation and reliability · Increase in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> · Increase in sales due to growth of customers who consume eco-friendly products and services 	
			Lotte Hotels & Resorts ESG/Purchase	IN → OUT <ul style="list-style-type: none"> · Contributing to the protection of global environment, protection of natural resources, and sustainable development · Contributing to environmental protection and enhancement of the national image · Proposal and practice of eco-friendly and sustainability standards for hotels, resorts, duty-free stores, and theme parks: Improvement of sustainability for products and services of the same industry → Positive impacts on sustainable global environment, society, and sustainable consumption	Risks <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Decline in corporate and brand reputation and reliability · Decline in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> · Increase in short-term expenses to develop sustainable products and services · Decline in sales due to reduced customers 	
6	Customer Value	Customer Information Security	Lotte Duty Free Information Protection	OUT → IN <ul style="list-style-type: none"> · Increase in incidents of information leakage, and strengthening of global standards and regulations on information security · Rapid increase in incidents of information leakage, and strengthening of related laws, regulations, and penalties · Upgrading the level of sensitivity and importance for personal information security of customers and employees → Strengthening of corporates' role and responsibility for personal information security → Along with the acceleration of developing related technologies, the burden of technology introduction is also increasing	Opportunities <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Increase in corporate and brand reputation and reliability · Increase in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> · Decline in expenses to settle and deal with information leakage issues including legal cost · Increase in sales due to customers growth 	
			Lotte Hotels & Resorts Information Security / Personal Information Protection	IN → OUT <ul style="list-style-type: none"> · Contributing to the prevention of domestic and international crimes caused by personal information leaks and to the operation of a safe society · Leading the industry in personal information protection → Contributing to the prevention of related crimes and improvement of information security level and trust in the same industry	Risks <ul style="list-style-type: none"> Non-financial <ul style="list-style-type: none"> · Decline in corporate and brand reputation and reliability · Decline in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> · Increase in short-term expense to reinforce information security and expenses to settle and deal with the related issues · Decline in sales due to reduced customers 	

Material Issue Impact Analysis

Priority	Area	Material Issues	Departments in charge	Economic, Environmental, and Social Impacts (IN↔OUT)		Opportunities/Risks ↔ Non-financial/Financial	UN SDGs
7	Environment	Greenhouse Gas (GHG) Emissions Reduction	<hr/> Lotte Duty Free Environmental Safety <hr/> Lotte Hotels & Resorts Engineering <hr/> Lotte World Safety Management	OUT → IN	<ul style="list-style-type: none"> Global obligation to reduce GHG emissions, expansion of carbon tax, increase in natural disasters caused by global warming, and food crisis Institutionalization of GHG emissions reduction for companies, such as the Carbon Reduction Act Increase in global competitors' declaration of Net-zero and RE100, which are symbols of low-carbon management, GHG emissions reduction and eco-friendly management → GHG emissions reduction is becoming mandatory → Decarbonization management will act as a competitive advantage for companies 	Opportunities Non-financial <ul style="list-style-type: none"> Increase in corporate and brand reputation and reliability Increase in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> Increase in sales due to increase in the number of customers who consume eco-friendly products and services 	
				IN → OUT	<ul style="list-style-type: none"> Contributing to net zero GHG emissions Leading the same industry in net zero practices → Contributing to solving global warming problems 	Risks Non-financial <ul style="list-style-type: none"> Decline in corporate and brand reputation and reliability Decline in satisfaction and loyalty of customers, employees, and partners Financial <ul style="list-style-type: none"> Costs incurred by building facilities and infrastructures for reducing GHG emissions 	

Affiliated Associations

Lotte Duty Free

Korean Duty-Free Shop Association

Lotte Hotels & Resorts

Korean Standards Association, Korea Productivity Center, Korean Society for Quality Management, International Management Institute, Korea-Japan Economic Association, Korea Chamber of Commerce and Industry, Korea Golf Course Business Association, Resort Condominium Business Association of Korea

Lotte World

Korea Amusement and Theme Parks Association, Korea International Trade Association

Department in Charge of the Report Production

LOTTE GROUP Hotel HQ ESG Team

Contributors

Lotte Duty Free ESG Management Team ESG Part | Lotte Hotels & Resorts Communication Team ESG Part | Lotte World ESG Management Team

Third-party Assurance Statement

ECONINE Co., Ltd. has presented an independent assurance statement based on the contents of the sustainability report produced by Hotel Lotte according to the scope of assurance and the standards of the assurer. The assurance has been carried out based on the assumption that the information provided by Hotel Lotte is complete, and Hotel Lotte is responsible for all contents included in the Sustainability Report.

Standards

ECONINE Co., Ltd. has conducted this assurance based on the AA1000 Accountability Principles (AA1000 AP) 2018 and the principles of the 2021 GRI Standards and the following criteria:

- Accountability Principles and Type 1, and the reliability of information is of a moderate level
- Compliance and reporting principles in accordance with the GRI Universal Standards and Topic Standards

Scope and Methodology

ECONINE Co., Ltd. has confirmed the reliability of this report based on the sampling of the company's sustainability management performances from January 1, 2022 to December 31, 2022.

- Consistency with the Business Report and other public disclosures
- Results of the GRI Standards related to the materiality assessment procedure and material issues
- Consistency and major changes from previous reports
- Errors, inappropriate expressions, and ambiguous expressions of information
- Interviews with internal stakeholders who have participated in the preparation of the report

Independence and Competence

ECONINE Co., Ltd.'s personnel with professional competence in the field of sustainable management have conducted the assurance based on its Code of Conduct. It does not have any interests that could impede the independence of the assurance for Hotel Lotte, other than providing the third-party assurance services.

Limitation

The completeness and responsiveness of the information presented in Hotel Lotte's sustainability report have inherent limitations depending on the method of selecting, measuring, and estimating the information. Regarding non-financial performance, ECONINE Co., Ltd. has conducted the assurance assessment based on the information and evidence provided by Hotel Lotte Co., Ltd., which collected them internally, and the reliability of the original data is not guaranteed.

Conclusion

(As a result of the assurance assessment of Hotel Lotte Co., Ltd.'s Sustainability Report, it is judged that the report secures the basis for the Type 1 assurance level of the AA1000 Accountability Principles (AA1000 AP). In addition, the report complies with the requirements of the GRI Universal Standards and the Topic Standards and does not deviate from the important reporting principles.

Inclusivity

People should have a say in decisions that affect them.

It has been confirmed that Hotel Lotte Co., Ltd. defines customers, employees, shareholders and financial companies, partners, and local communities as its stakeholder groups and operates various communication channels to communicate the purposes and expectations of stakeholder engagement.

Materiality

Decision makers should identify and be clear about the most important sustainability topics.

Hotel Lotte Co., Ltd. has formed a pool of 23 key issues of ESG management by analyzing the global guidelines, sustainability issues raised by the UN, OECD, and EU, and the ESG reporting issues of leading companies in hotels, resorts, duty-free stores, and theme parks. Based on this pool of issues, Hotel Lotte Co., Ltd. has selected seven material issues of ESG management through a survey of stakeholders' interest in sustainability issues, an analysis of the impacts of those issues, and the executives' discussion and approval.

Responsiveness

Organizations should act transparently on material sustainability issues and their related impacts.

Hotel Lotte Co., Ltd. has connected the reporting issues with its seven sustainability material issues and disclosed its response activities.

Impact

Organizations should monitor, measure, and be accountable for how their actions affect the broader ecosystems.

It has been confirmed that Hotel Lotte Co., Ltd. has disclosed measurable quantitative and qualitative performances of its policies and activities for each of the seven material issues and that it has applied the GRI Standard for comparison with other organizations.

Recommendations

Hotel Lotte Co., Ltd. has integrated the sustainable management performances of its three business units (Lotte Duty Free, Lotte Hotels & Resorts, and Lotte World) in the report. It could consider the communication process and the method by which the business characteristics of each entity are reflected, by developing sustainability issues and performance indicators specific to each business entity. It is also recommended to communicate with its stakeholders about the sustainable management activities of its overseas business sites.

August 10, 2023.

ECONINE Co., Ltd. CEO **Seo Uk**






HOTEL LOTTE