




# Sweet **ESG**

LOTTE Confectionery Sustainability Report 2020-2021

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## ABOUT THIS REPORT

### Features of the Report

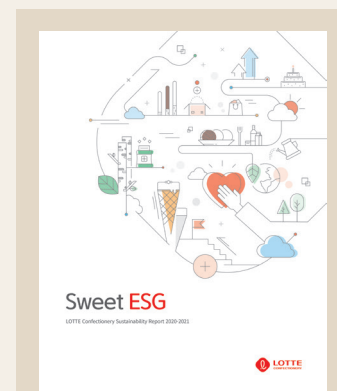
LOTTE Confectionery is publishing the LOTTE Confectionery Sustainability Report 2020-2021 for the first time to transparently share its activities and outcomes in the area of sustainable management during the last year with internal and external stakeholders. This Report represents the willingness and efforts of LOTTE Confectionery to grow with the community as a sustainable company by connecting its strategies with ESG and reporting strategies and activities in accordance with the UN Sustainable Development Goals (SDGs).

### Reporting Period

This Report describes and reports our financial and non-financial activities and outcomes, both qualitatively and quantitatively, from January 1, 2020 to June 30, 2021. It will aid stakeholders in understanding the major pending issues up to the second half of 2021, as well as a number of quantitative outcomes including the outcomes for three years related to the environment, society, and governance of our company.

### Reporting Scope

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



### 2020-2021 Cover Story

The cover page expresses LOTTE Confectionery's willingness to always spread joy and happiness everywhere with its beloved and trusted products and services as well as the intention to grow through Sweet ESG management.

### Reporting Standards

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

### Reporting Assurance

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

### Contact Us

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

### LOTTE Confectionery ESG Team

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## CEO Message



Greetings.

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

Yet another new year has begun, and still we are all wearing masks. With the continuation of COVID-19, economic circumstances at home and abroad have been unstable over the past two years, and we have had to go through some difficult times caused by the prolonged practice of social distancing. Like many other companies, LOTTE Confectionery has confronted this difficult time while adapting to the changing lifestyles of consumers and the consumption trends. Above all, we have come to understand that our business philosophy must reach beyond financial performance and embrace a sustainable approach to the environment, society, and governance if we are going to become a sustainable company that survives in this uncertain business environment.

On this background, LOTTE Confectionery has spent the last two years practicing sustainable management, producing meaningful results, and discovering possibilities. We have reorganized the ESG management organization by creating the ESG division, ESG organization, and ESG Committee, and declared our own unique 'Sweet ESG Management' goal for LOTTE Confectionery. Beyond this, we have communicated closely with all stakeholders in our implementation of specific tasks, such as environmental management, shared growth, social contributions, quality safety and ethical management. Thanks to these efforts, we received an 'A' grade for the third year in a row in our ESG evaluation by the Korea Corporate Governance Service (KCGS) in 2021.

As we look back at the outcomes of ESG management so far in order to further strengthen our practical commitment to ESG management, LOTTE Confectionery is pleased to present our first sustainability report. Before we begin, I would like to make the following three promises to our stakeholders.

### First. Sweet Eco

- We will actively participate in eco-friendly management based on 5RE\*.

Keeping in mind that the health of our planet is directly linked to the health of humankind, LOTTE Confectionery minimizes the environmental impact of our raw materials supply and our products. First of all, we will continue to expand our efforts to use environmentally sustainable raw materials and the implementation of eco-friendly packaging materials. In addition, we will try to achieve carbon neutrality by 2040 through active research and investment in new and renewable energy sources and innovative eco-friendly technologies.

\* 5RE: Reduce, Replace, Recycle, Redesign, Reuse

### Second. Sweet People

- We listen to the voices of customers, employees, suppliers, and community members.

LOTTE Confectionery listens attentively to ensure the happiness and satisfaction of everyone. We will continue to share with members of the communities in which we operate to make social contributions related to our businesses. In addition, we will strive to create a horizontal organizational culture so that our employees can show off their capabilities, and can also be acknowledged for their diversity and potential. LOTTE Confectionery is ready to improve its shared growth system to build win-win relationships with the suppliers that are part of our extended family as a business.

### Third. Sweet Company

- We are trusted by stakeholders for our sound governance.

For a company that needs to be trusted by consumers and society, the importance of ethical management and compliance management cannot be overstated. With this in mind, LOTTE Confectionery will continue to build on our existing compliance system to achieve zero corruption risk. Our Board of Directors, with independence and expertise, will make efficient and upright decisions, disclosing all corporate information, including the decision-making process and results, to stakeholders swiftly and transparently.

By publishing this Sustainability Report, LOTTE Confectionery hopes to bring a benevolent influence to more people through ESG management and offer a driving force for future growth. Moreover, we will transform into a global food company by securing excellent quality, sustainability, and competitive products.

Finally, we would like to express our wish for the good health and well-being of all stakeholders who love LOTTE Confectionery and employees who are endeavoring to fulfill their roles.

Thank you.

LOTTE Confectionery, CEO  
Young-Gu Lee

Y. G. Lee

# Company Overview

## Company Overview

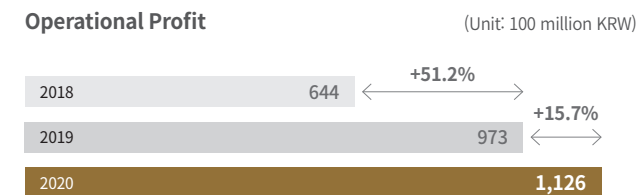
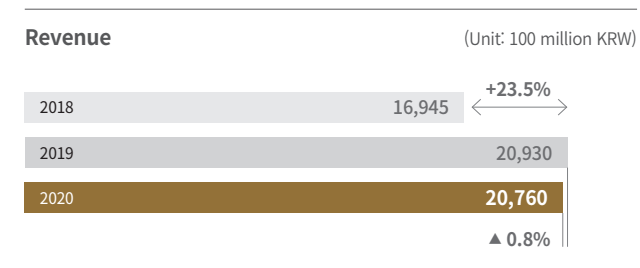
LOTTE Confectionery has been contributing to the development of the Korean food industry, focused on the confectionery business, since its foundation in 1967. It has expanded its businesses to bakery and functional health food under its vision of 'Lifetime Happiness Creator.' LOTTE Confectionery enhances the status of K-Food in the world through enthusiastic global business expansion. We aim to increase our corporate and brand value by flexibly responding to changes in the business environment while concentrating on our core competencies.

<b>Company Name</b>	LOTTE Confectionery Co., Ltd.	<b>Key Business</b>	Food manufacturing and selling business
<b>Date of Establishment</b>	April 3, 1967 (Corporate Division on October 12, 2017)	<b>Major Shareholder</b>	LOTTE Corporation (48.42%)
<b>President and CEO</b>	Young-Gu Lee (inaugurated in March 2021)	<b>Number of Employees</b>	4,340 persons (as of the end of 2020)
<b>Head Office</b>	10, Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul	<b>Branch/ Corporation</b>	• 7 domestic plants, 18 branches, • 8 overseas corporations, 20 plants

\* Achievements above based on the annual business report for 2020

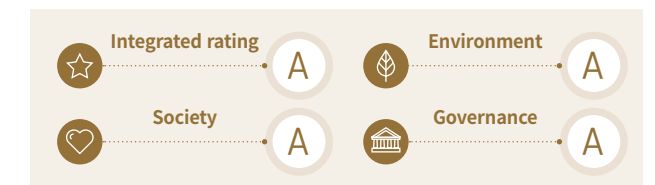
## Three-Year Business Performance

Due to the effects of the COVID-19 pandemic, our sales volume was reduced by 0.8% in 2020 compared to the previous year. However, we are improving profitability by continuously increasing the efficiency of our manufacturing and sales processes. LOTTE Confectionery has maintained an A grade in the ESG evaluation by KCGS for three years in a row. LOTTE Confectionery will build trust by prioritizing social values, such as social contributions, shared growth, and environmental protection.



\* Achievements above based on the annual business report for 2020

## ESG Evaluation Results by KCGS



Year	Integrated rating	Environment	Society	Governance
2021	A	A	A	A
2020	A	A	A+	B+
2019	A	A	A	B+
2017	B+	A	A+	B

\* The 2018 evaluation was not carried out due to the establishment of a Corporation in 2017.

## Business Site Status in Korea

LOTTE Confectionery produces confectionery and bakery products at 7 plants (4 dedicated to confectionery & ice cream, and 3 bakeries) around the country, delivered to consumers via a business network that extends throughout the country. As of November 2021, we are operating 14 logistics centers, 18 branches, 99 sales offices, and 10 KAM (New Distribution offices).

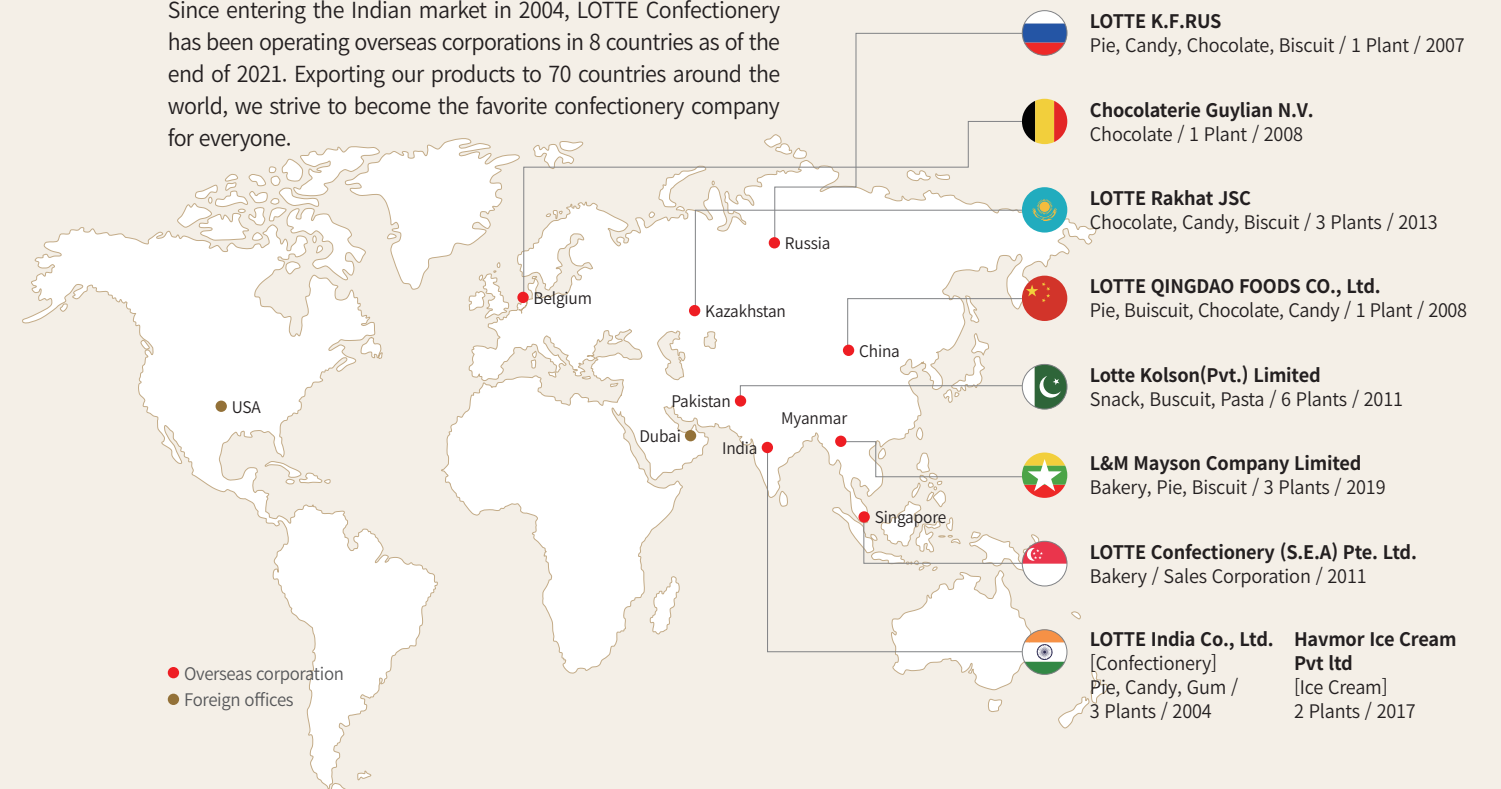
### Status of Plants and Logistics Centers

<b>Plant</b>	Confectionery & Ice Cream: Yeongdeungpo, Yangsan, Pyeongtaek, Daejeon Bakery: Busan, Suwon, Jeungpyeong	<b>7 sites</b>
<b>Logistics Center</b>	Confectionery & Ice Cream: Kwangmyeong, Kangnenug, Honam Confectionery: Bundang, Bubal, Euiwang, Daegu, Gimhae Ice Cream: Icheon, Pyeongtaek, Chungcheong, Kyeongbuk, Busan North, Kyeongnam	<b>14 sites</b>
<b>Total</b>		<b>21 sites</b>



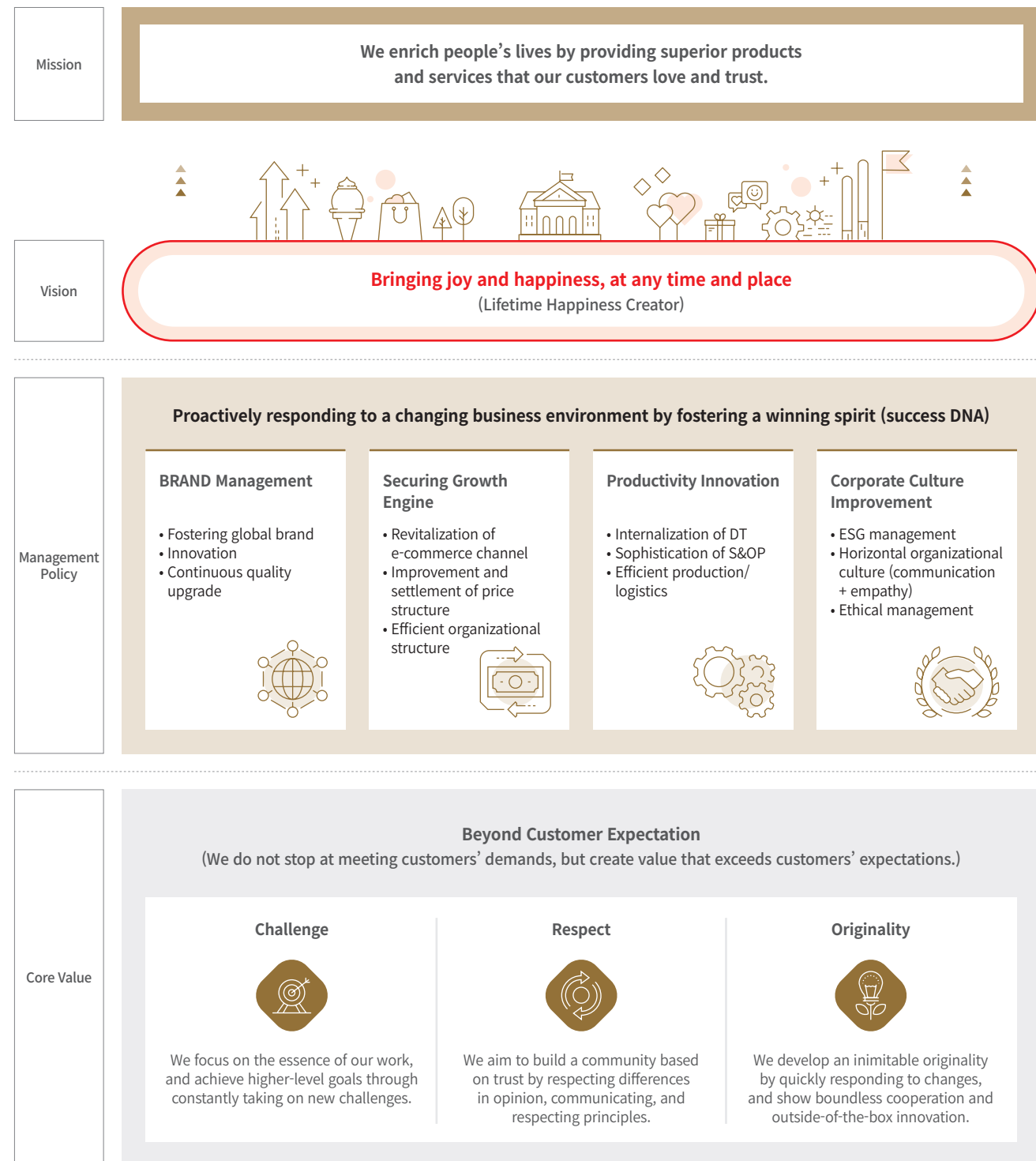
## Global Business

Since entering the Indian market in 2004, LOTTE Confectionery has been operating overseas corporations in 8 countries as of the end of 2021. Exporting our products to 70 countries around the world, we strive to become the favorite confectionery company for everyone.

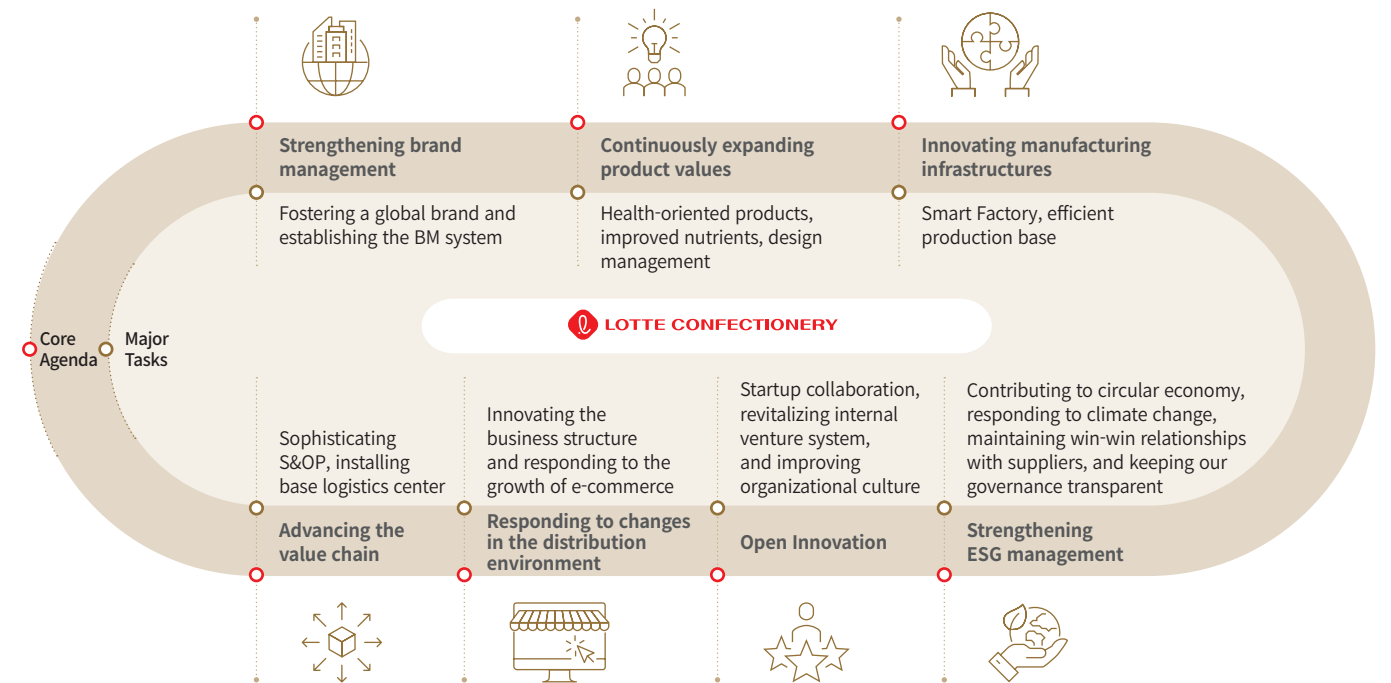


# Company Vision

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

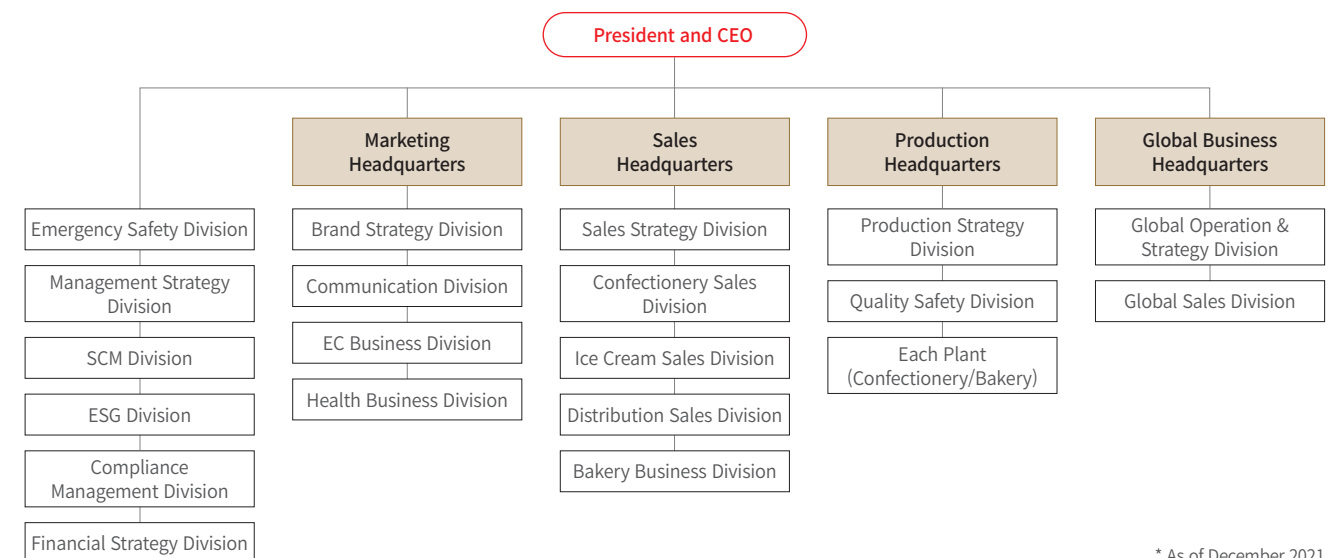


## Mid-to-Long term Growth Project



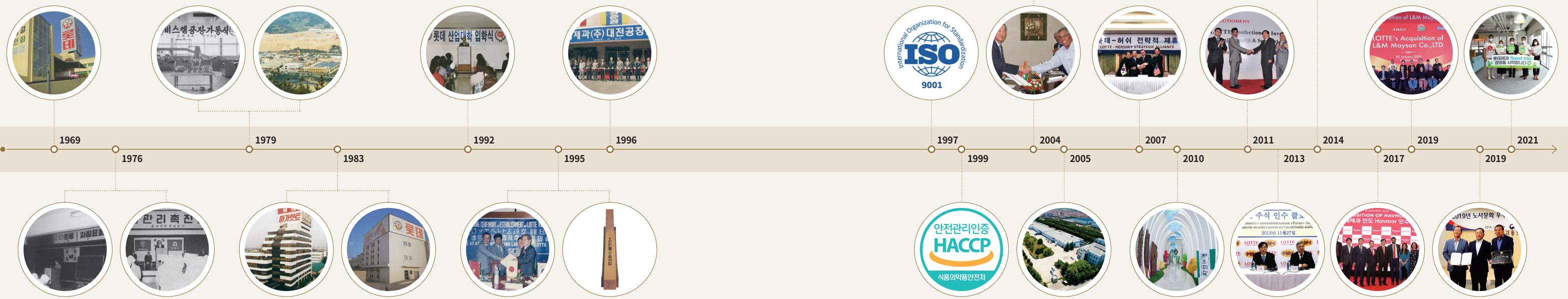
## Organization

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



\* As of December 2021

# Growth History



1967~1976	1977~1986	1987~1996	1997~2006	2007~Present
Beginning Stage	External Growth	Global Market Entry and Market Innovation	Expansion of Global Management	Sophistication of Quality and ESG Management
<ul style="list-style-type: none"> <li>1967 • Founded LOTTE Confectionery Co., Ltd.</li> <li>• Founded Labor Union</li> <li>1969 • Completed construction of Yeongdeungpo Plant</li> <li>1971 • Implemented first direct sale system in the confectionery industry</li> <li>1973 • Initial public offering (capital of KRW 1.32 billion) and listing</li> <li>1976 • Conducted Zero Defects (ZD) Movement</li> </ul>	<ul style="list-style-type: none"> <li>1977 • Entered the ice cream market</li> <li>1979 • Founded Yangsan Plant</li> <li>1983 • Relocated the head office building to Yeongdeungpo, founded LOTTE R&amp;D Center, founded Pyeongtaek Plant</li> <li>• Established the Jeddah Office in Saudi Arabia</li> <li>1984 • Finalized the plan to promote the Total Quality Control (TQC) Movement</li> <li>• Established the LA Office in the United States</li> <li>1985 • Designated as the official confectionery company for the 1986 Seoul Asian Games and 1988 Seoul Summer Olympics</li> </ul>	<ul style="list-style-type: none"> <li>1989 • Received the 10 Million Dollars Export Tower on the 26<sup>th</sup> Trade Day</li> <li>1992 • Founded LOTTE Confectionery Industrial College (Industrial Education Institute)</li> <li>1995 • Received the 50 Million Dollars Export Tower on the 32<sup>nd</sup> Trade Day</li> <li>• Founded LOTTE Vietnam Co., Ltd.</li> <li>1996 • Implemented Process Innovation (PI) activities</li> <li>• Established Daejeon Plant</li> </ul>	<ul style="list-style-type: none"> <li>1997 • Acquired first quality management system (ISO9001) certification in confectionery industry</li> <li>1999 • Operated integrated information system for Process Innovation (PI) activities</li> <li>• Became first in the confectionery industry to acquire Hazard Analysis and Critical Control Points (HACCP)</li> <li>2002 • Selected as a company with an excellent labor-management culture (Yeongdeungpo Plant)</li> <li>2004 • Became first in the confectionery industry to acquire environmental management system (ISO14001) certification</li> <li>• Took over Parrys in India and became the first in the confectionery market to enter the Indian market</li> <li>2005 • Founded a local corporation in China (LOTTE Qingdao Foods co.,LTD.)</li> </ul>	<ul style="list-style-type: none"> <li>2007 • Signed strategic partnership with The Hershey Company in the United States</li> <li>• Founded a local corporation in Russia (LOTTE KF RUS KALUGA LLC)</li> <li>• Became first in the confectionery industry to establish a Consumer Complaint Management System (CCMS)</li> <li>2008 • Took over Guylan in Belgium</li> <li>2009 • Became first in the confectionery industry to acquire children's favorite food quality certification</li> <li>• Merged Kirin Company</li> <li>2010 • Relocated the head office building (LOTTE Yangpyeong Building)</li> <li>• Food safety management system (ISO22000) certification</li> <li>• Opened 'Sweets Factory' as an experiential sweets museum</li> <li>2011 • Took over Kolson in Pakistan</li> <li>• Small-scale merger of LOTTE Pharm and spun off 'Nàtuur' business</li> <li>2012 • Food safety system (FSSC22000) certification</li> <li>2013 • Started a social contribution campaign titled, 'Delicious Sharing and Warm World' - Launched Dr. Xylitol Bus and built the 1<sup>st</sup> branch of Sweet Home</li> <li>• Took over Rakhat in Kazakhstan</li> <li>2014 • Selected as a company with an excellent labor-management culture</li> <li>• Merged LOTTE Boulangerie</li> <li>2015 • Exceeded cumulative overseas sales of KRW 5 trillion</li> <li>2016 • Exceeded cumulative gum sales of KRW 4 trillion</li> <li>2017 • Underwent spinoff and re-listing, 50<sup>th</sup> anniversary</li> <li>• Took over HAVMOR in India</li> <li>2018 • Handed over Nàtuur business (taken over by LOTTE GRS)</li> <li>2019 • Took over Mayson in Myanmar</li> <li>• Selected as a company with excellent labor-management culture by the Ministry of Employment and Labor</li> <li>2021 • Declared Sweet ESG Management of LOTTE Confectionery</li> <li>• Safety and Health Management System (ISO45001) Certification</li> </ul>

# Brand Overview

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# Our Business

## Confectionery Business

According to Nielsen Korea, LOTTE Confectionery maintains the no. 1 market share of 26.0% in the Korean confectionery market by operating 6 confectionery categories, including gum, candy, chocolates, biscuits, pies, and snacks. While enhancing our mega-brand value to secure continuous market competitiveness, we release health-oriented products that reflect customer needs, and differentiated products that offer new textures. In addition, we are actively promoting global brand-building activities to expand our business scope to overseas markets.

### Xylitol

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



### Pepero

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



### Ghana

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



### Kokkal Corn

Kokkal Corn is a snack that has maintained nationwide popularity since its release in 1983, and has the unique savory taste of corn, a crunchy texture, and a stylish shape. This product achieved a cumulative sales volume of KRW 1.4 trillion.



### Custard

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



### Mon Cher

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

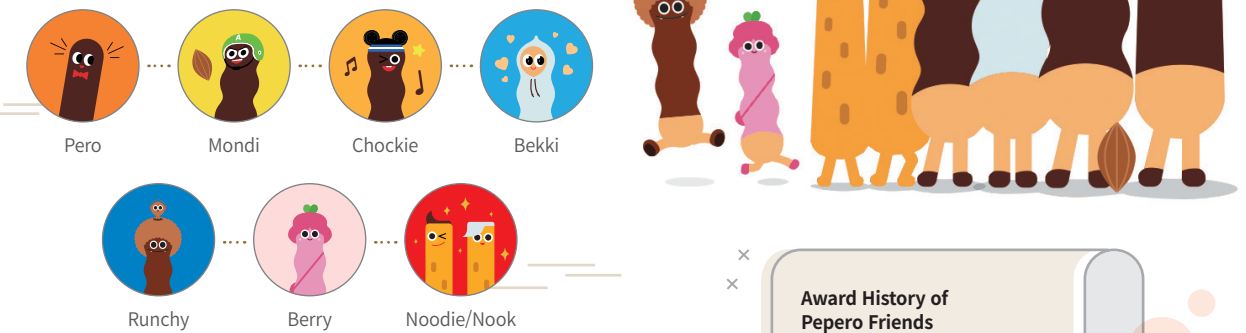


# Our Characters

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

## Introduction of Pepero Friends

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



## Introduction of Malang

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



## Award History of Pepero Friends

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



## Introduction of Kani & Choni

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





### Ice Cream Business

According to Nielsen Korea, LOTTE Confectionery held the no. 1 market share of 31% in the Korean ice creams market in 2020, beloved by consumers for products with outstanding quality and concepts. LOTTE Confectionery has recently launched a health-oriented line of 'zero-sugar' products. In addition, our premium ice cream brand 'Nàtuur' is driving the ice cream culture of South Korea.

#### World Cone

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



#### I'm MoChi (Rice Ice Cake)

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



#### Snow Ice

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



#### Screw Bar

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



#### Double Bianco

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



#### Nàtuur

Nàtuur is a word coined by combining nature and tour, meaning a tour to nature. This premium ice cream was initially produced in Korea in 1998. It has the rich taste of nature due to its premium natural ingredients, high milk fat, and low air content.



### Bakery Business

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

#### Bonespe

- Regional Bakery Cooperation Project

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



#### V-Bread

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



#### Fresh Bread

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



### Health Business

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

#### Colostrum Protein 365

Colostrum Protein 365 is an ultra-protein brand that won the 2022 Korea First Brand Awards, and is designed with a perfect balance between premium ultra-protein from France and animal and vegetable proteins.



#### Hwangjak

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



#### Health One

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



# ESG Strategy

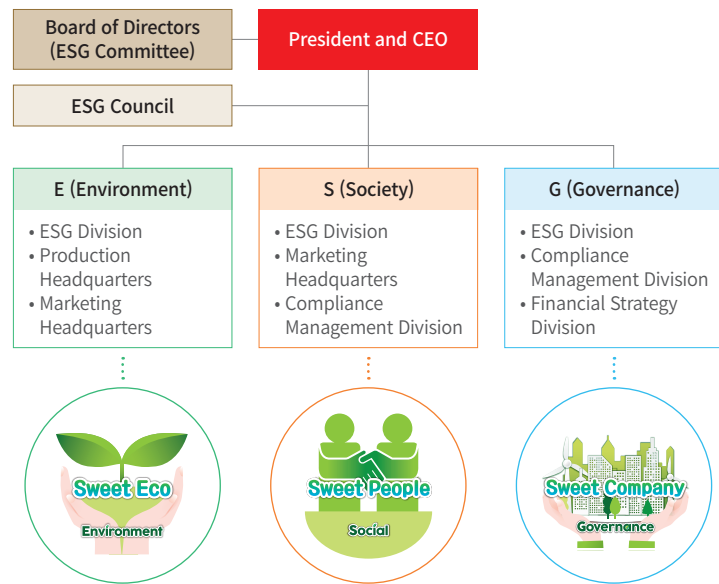
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# ESG Management Strategy and System

## ESG Promotion System and Organization

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



**LOTTE Confectionery ESG Management Declaration**

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

**Sweet ECO**

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

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

**Sweet People**

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

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

**Sweet Company**

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

July 20<sup>th</sup>, 2021  
CEO of LOTTE Confectionery

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

## ESG Promotion Strategy

LOTTE Confectionery has established and operates a company-wide sustainable management strategy to fulfill its role as a company creating sustainable value. By gathering opinions from various stakeholders and executing strategic goals, LOTTE Confectionery attains economic value and fulfills its social and environmental responsibilities as a member of the national and local community.



## Major ESG Outcomes for Three Years

**2019**

- First Korean confectionery industry to acquire ISO37001 (Anti-Bribery Management System)
- Certified by the Ministry of Employment and Labor as a company with an excellent labor-management culture
- Certified by the Ministry of Gender Equality and Family as a family-friendly company
- Implementation of Smart Recycle Package

**2020**

- Sponsored products for COVID-19 medical staff
- Opened Sweet School No. 1
- Acquired green certification for Margaret
- Signed an MOU to commemorate UN Veterans with the Busan Office of the Ministry of Patriots and Veterans Affairs and Namgu District in Busan

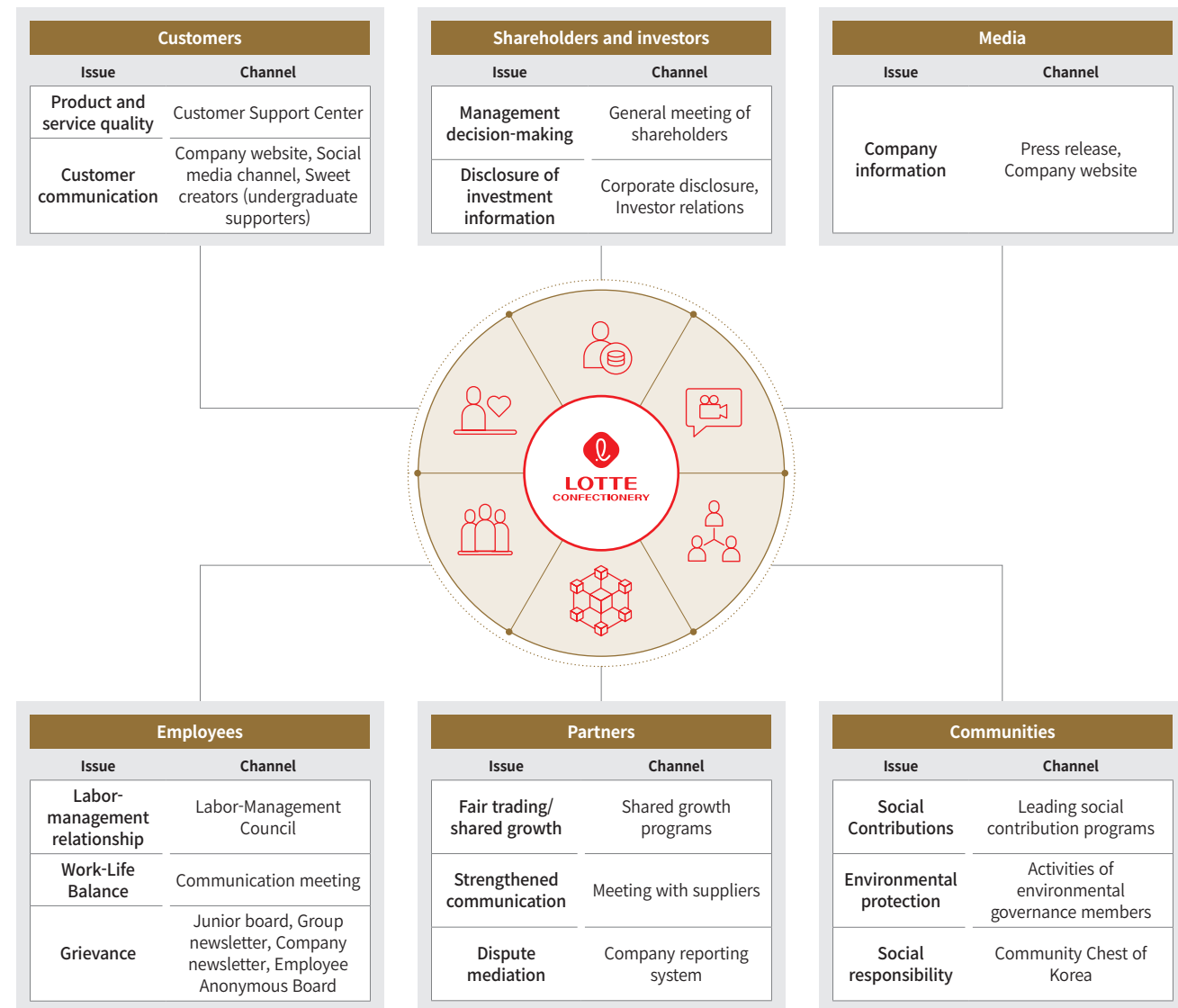
**2021**

- Switched all business vehicles to electric vehicles (~2025)
- Declared ESG management and established ESG Committee
- Signed an MOU with Hansol Paper to develop cacao byproduct packing materials and eco-friendly packaging
- Head office and all plants acquired ISO45001 (Safety and health management system)

# Participation of Stakeholders and Materiality Assessment

## Participation of Stakeholders

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



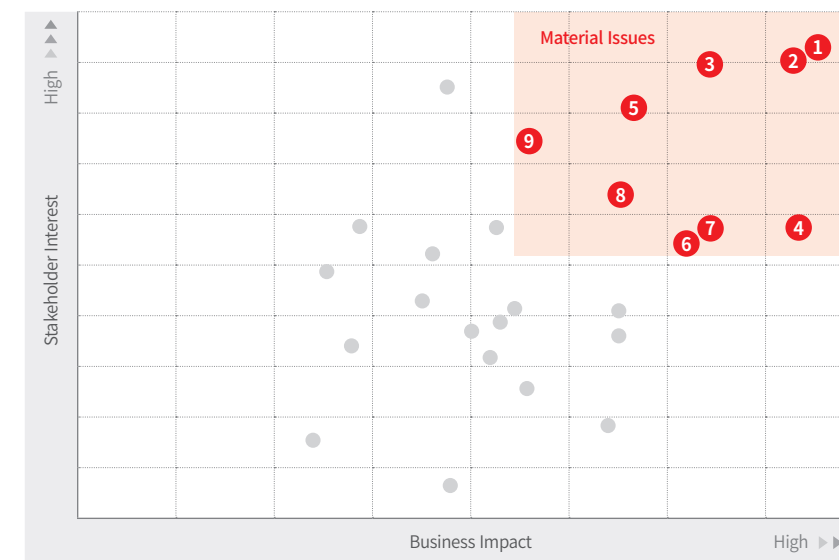
## Materiality Assessment

LOTTE Confectionery performs a materiality assessment each year to select issues that its stakeholders regard as important. In 2020, LOTTE Confectionery created a pool of stakeholder issues based on the sustainability report standard called the Global Reporting Initiative (GRI), social responsibility standard of ISO26000, global standards like the SDGs, and external stakeholders' requirements like MSCI and DJSI. The materiality assessment was carried out over a period of about three weeks, from September 13 to October 6. Based on a materiality assessment derived from media research, business benchmarking, internal strategy and policy issue analysis, and internal and external surveys, we have selected nine material issues out of 26 issues. LOTTE Confectionery aims to transparently disclose the selected issues through the Sustainability Report, which covers the main activities and achievements from 2020 to the first half of 2021.

## Assessment Process



## Materiality Assessment



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

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2	Responsible management of raw materials	S	24
3	Sustainable supply chain management	S	36, 51-52
4	Reinforcement of ethical compliance management	G	60-63
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9	Expansion of contribution to circular economy	E	31-33

# Employee and Stakeholder Interviews

ESG management has become a crucial mission today, both for society and for companies to achieve coexistence and sustainable growth. LOTTE Confectionery established the ESG Committee in August 2021 as an effort to put ESG management into practice. I am greatly honored to be the first chairperson of the committee.

LOTTE Confectionery will make all business decisions based on the fundamental philosophy of ESG management, promising to implement Sweet ESG Management that can satisfy all stakeholders.

In particular, our ESG Committee will devise plans to use new and renewable energy to reduce our greenhouse gas emissions, developing a sense of responsibility in our transition to a carbon-neutral society.



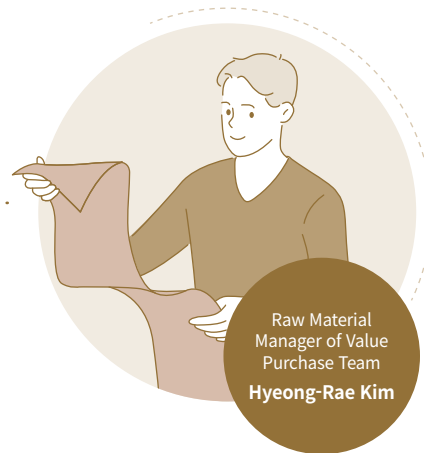
Chairperson of ESG Committee and independent director  
**Seong-Ho Han**



Culture Create Manager of ValueCreate Team  
**Young-Hwan Kwak**

We believe that ESG management starts with employees. From this perspective, the role of the ValueCreate Team is to create a happy working environment in which all members can fully exhibit their capabilities. Recently, we have been able to make a horizontal organizational culture by implementing the single title system. Through 'Seolleim Talk,' where executives from each division hear the opinions of persons in charge, we have come a bit closer to making a company that people want to be a part of. Above all, many of our employees have adapted to a new system of working from home. We will continue to encourage the flexible working hour system and working from home after COVID-19 subsidies to improve work efficiency and respect the lifestyles of employees.

Products trusted by consumers are born from the raw material stage. While the conventional method of managing raw materials focused mainly on quality and sanitation, minimizing our environmental impact and ensuring the human rights of laborers have recently become important criteria. Accordingly, the Value Purchase Team will manage raw materials with a sense of environmental and social responsibility. In addition, we are actively reviewing the introduction of raw materials that have obtained sustainability certification for ingredients like palm oil and sugar, which are used in massive amounts in our primary products. We will also expand the use of organic farming and vegan materials to protect the health of consumers, the environment, and society.



Raw Material Manager of Value Purchase Team  
**Hyeong-Rae Kim**



Head of Overseas Cooperation Division, Save the Children Korea  
**Hyeon-Seung Lee**



Nine years ago, LOTTE Confectionery and Save the Children signed an agreement to embark on a Sweet Home construction project. This project has great significance in that it continuously prepares children-friendly spaces to protect the safety of children and give them the right to play freely by donating the revenues from Pepero, a snack that is loved by many consumers. In particular, as people lack opportunities to see each other often nowadays because of the pandemic, we feel rewarded when we see the comments from children about spending time enjoying delicious food and studying with teachers and friends. LOTTE Confectionery will strive to make the world a warmer place by sharing delicious food and growing the dreams of children with unlimited potential.

LOTTE Confectionery made big achievements in the area of eco-friendly packing materials in 2020 and 2021. We applied ink and solvent-reduced inner packing materials that acquired green technology certification to our major products. In addition, we reduced the weight of our plastic containers, and developed packing materials using cacao byproducts. It was not easy to change packing materials while ensuring that our packing still protected products from external shock and conveyed the correct information to consumers. But LOTTE Confectionery was able to develop unique smart eco packing materials by working in cooperation with related divisions and suppliers. We intend to continue our consistent research and investment efforts to develop eco-friendly packing materials and build a circular economy through the success of Sweet Eco 2025.



Chief Researcher of Package Design Team at LOTTE R&D Center  
**Hak-Cheon Heo**



CEO of East Green  
**Il-Ho Oh**



Supply chain management is considered a key element of ESG management these days. From the perspective of a long-time partnering company of LOTTE Confectionery, I think LOTTE Confectionery is a company with a very strong commitment for fair trade and shared growth. Regular quality education and technical support consulting conducted by LOTTE Confectionery are our big growth engines, and measures such as cash payment and volume operation period adjustment are also helping our business operations to be stable. I hope that there will continue to be a place of communication such as Partner Workshops. We hope that LOTTE Confectionery and our company will cooperate more organically to produce good products and grow together in the future.

# Sustainable Development Goals (SDGs)











## Implementation of SDGs by LOTTE Confectionery

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

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

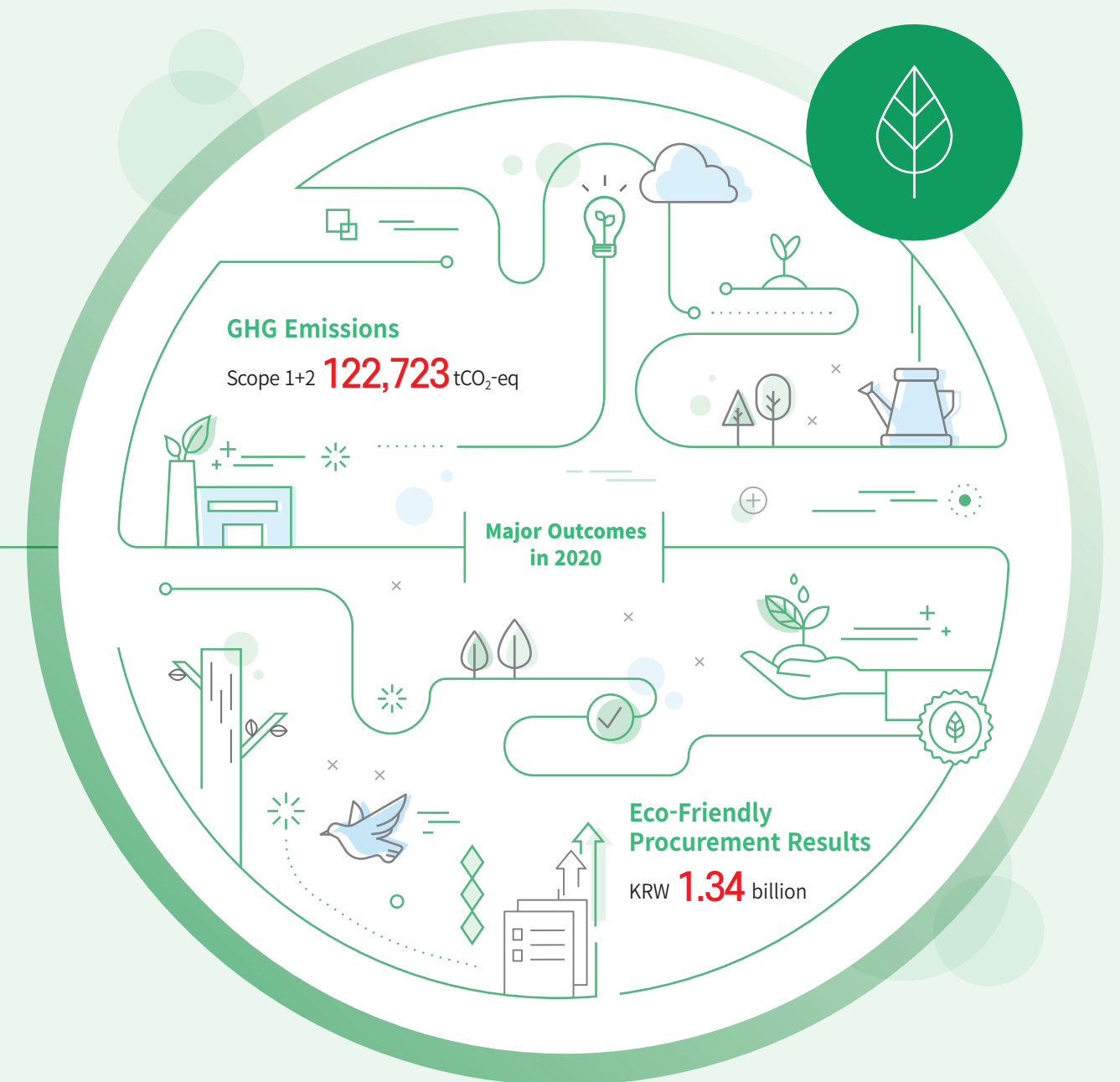
## LOTTE Confectionery's SDGs Promotion Strategy

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

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

# Environmental Sustainability

- 30 Environmental Management System
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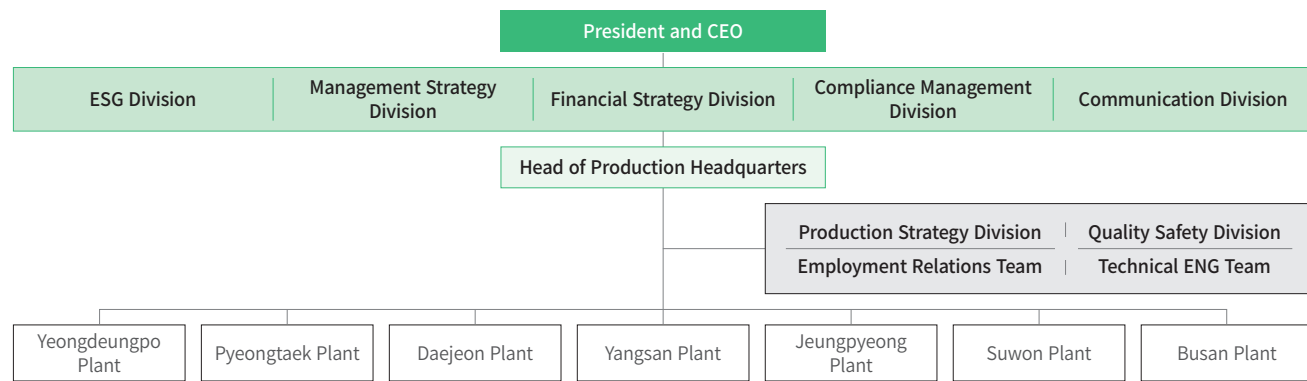


# Environmental Management System

## Environmental Management Strategy

Aware of the necessity of environmental management, LOTTE Confectionery pursues an environmental management strategy road map considering our business characteristics and environmental issues. We will contribute to the international response to climate change by achieving carbon neutrality by 2040, and are seeking various means of reducing and recycling plastics to ensure an active response to the circular economy. We will apply the sustainable environmental management system at all business sites, and advance our business processes.

### Environmental Management Organization



### Environmental Management Strategy

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

### Environmental Management System

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



Environmental policy



ISO14001 environmental management system certification



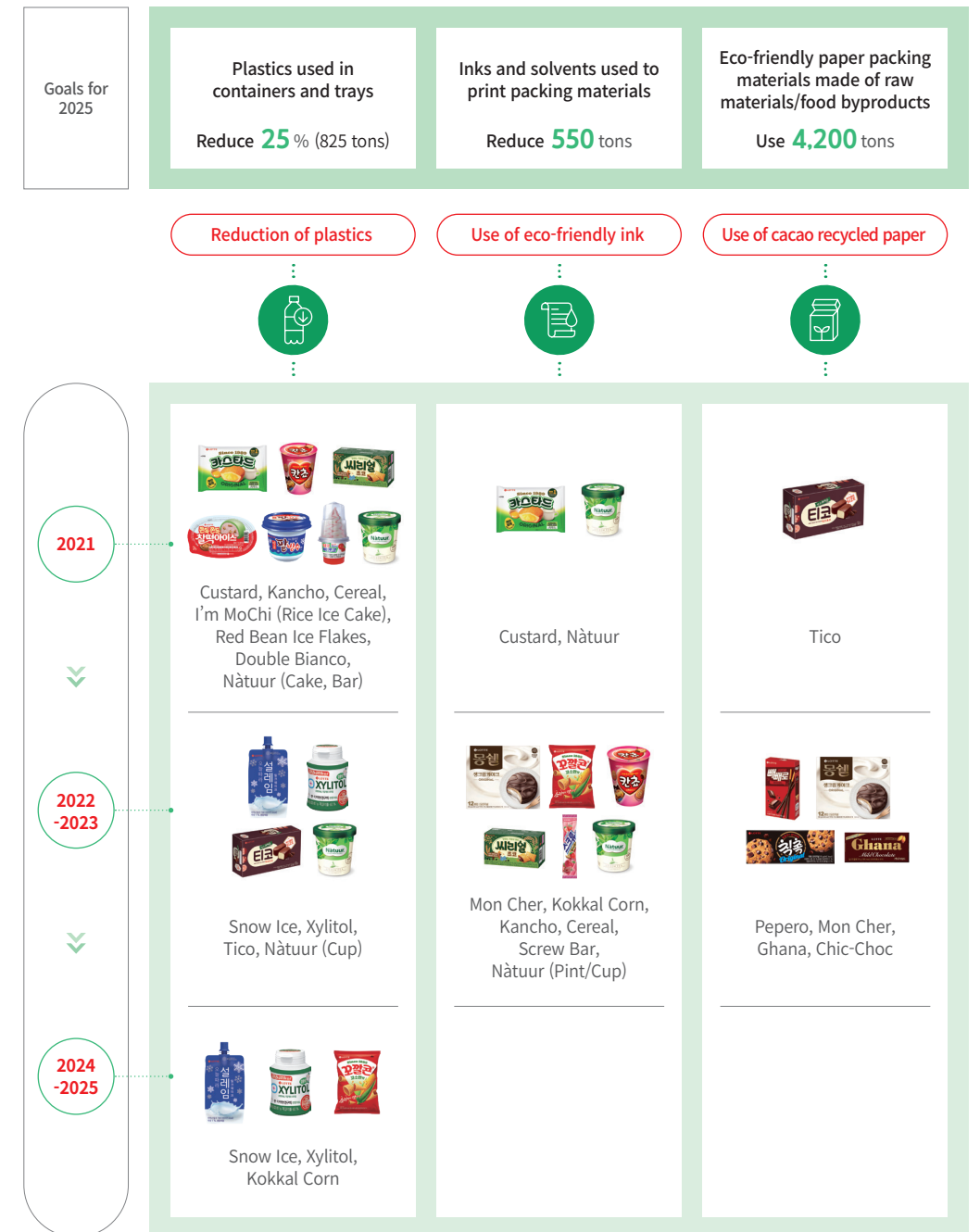
Voluntary agreement to improve packing material structure

# Circular Economy

## Circular Economy Promotion Strategy

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

### Circular Economy Promotion Road Map



### Plastics Reduction Activities

LOTTE Confectionery is fundamentally reducing its use of plastics by replacing plastic containers and trays with paper products for the purpose of protecting existing products and practicing environmental management. In addition, we are strengthening the circular economy system by improving package structures and changing packing materials.



Plastic tray converted to paper  
(Expected annual reduction of plastics 142ton)



Removal of plastic cap from cup-type products like Kancho  
(Expected annual reduction of plastics 156ton)

### Usage of Recycled Cacao Ingredient



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

LOTTE Confectionery developed an eco-friendly packing material using discarded cacao byproducts, which we applied for the first time to 'Ghana Pinkberry' and 'Crunky Pinkberry,' released in February 2021 as special products for Valentine's Day. This packing material was developed by processing byproducts of cacao fruits discarded after being used as a chocolate ingredient and mixed with regenerated pulp. It was developed after seven months of joint research with Hansol Paper, which began in June 2020. The cacao byproduct packing material has since been applied to four other products in the Ghana\* line, our leading chocolate product. The estimated amount of byproduct packing material used through this package is about 283 tons in 2021, and the expected amount of recycled cacao byproduct is about 10ton. Also, in August 2021, LOTTE Confectionery signed an MOU with Hansol Paper to develop eco-friendly packing materials in order to expand the development and use of original eco-friendly packages.

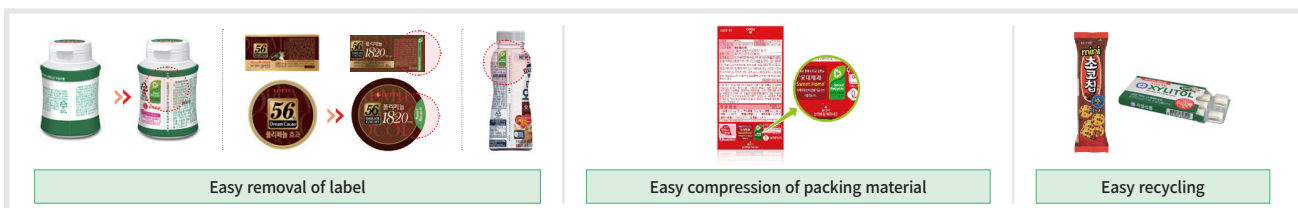
\* 1000 Ghana Mild, 2000 Ghana Mild, 2000 Ghana Dark Milk, 3000 Big Ghana



Ghana and Crunky products applied with cacao byproduct packing material

### Design for Easy Recycling

LOTTE Confectionery has engaged in a number of activities to improve the packing material design so that consumers can dispose of and recycle packing materials more easily. A cutting line has been applied to 11 products, including Pepero, to reduce the volume of paper cases after disposal. In addition, double dotted lines have been applied or the bonding on the label edges has been removed to make it easy to remove the label (sticker). In addition, the colored plastic tray of Mini Choco Chip Cookie was turned colorless, and nine gum products, including Xylitol Coating Gum, were switched from PVC to PET bottles. Thanks to such efforts, 44 products of LOTTE Confectionery have raised their material/structure improvement grade from 'Difficult to Recycle' to 'Excellent' according to the Ministry of Environment Notice No. 2019-71 "Standards for Improvement of Packing Materials and Structures."

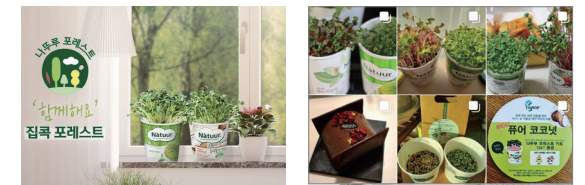


### Reuse (Upcycling) Package

We use packing materials that are disposed of after we eat the food to develop reusable packages. The Common Brother and Sister Edition of Confectionery Gift Set released in August 2020 presented an upcycling package that turns into a video production play board and a smartphone stand by cutting along the dotted line and attaching. This package has an environmental education effect on young consumers, the primary consumers of our products. We will continue to expand upcycling packages containing such useful content. Also, Nàtuur conducted a consumer participation event in 2020 called 'Forest at Home' to encourage package upcycling and awaken people to the importance of environmental protection. LOTTE Confectionery gave away 'Nàtuur Forest Kits' comprising two kinds of Nàtuur ice cream pints, soil, and seeds to 100 participants selected on social media. By washing the empty container after eating the ice cream and planting the seeds in the soil, consumers could enjoy an upcycling activity of using the ice cream container as a flowerpot.



Confectionery Gift Set, Common Brother and Sister Edition



Poster and social media photo on Nàtuur 'Forest at Home'

### Green Products



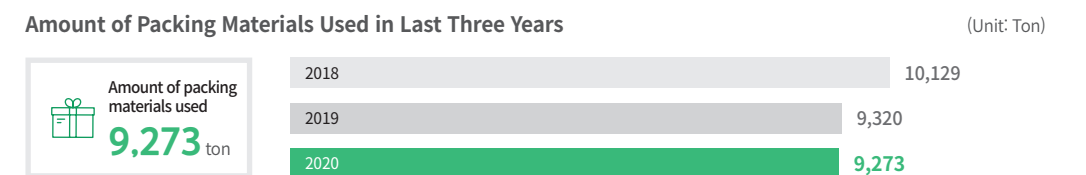
LOTTE Confectionery has acquired green certification for eco-friendly ethanol and food packing material manufacturing technologies. This certificate has been applied to Margaret since September 2020. This technology was certified as a green technology by the Ministry of Agriculture, Food, and Rural Affairs and the Green Certificate Secretariat in July 2020, and was the outcome of an active collaboration between the Package Research Team at LOTTE R&D Center and LOTTE Aluminium. Starting with Margaret, this technology has since been applied to Mon Cher, Choco Pie, and Nàtuur Bar. It is used by 13 products as of November 2021. The expected amount of ecotoxic substances replaced annually is 350 tons.

Confectionery (9)	Ice Cream (1)	Bakery (3)
Mon Cher, Choco Pie, Custard, Margaret, Chic-Choc, LOTTE Sand, Vegetable Crackers, Harvest, Pepero	Nàtuur Bar	V-Bread, Steamed Bun, Mini Sand



### Usage of Plastics for Three Years

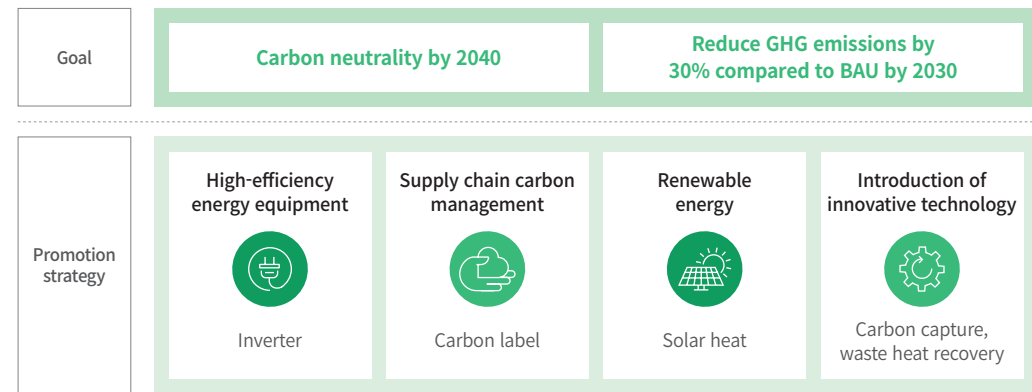
The total amount of packing materials used by LOTTE Confectionery was 9,273ton in 2020, including plastics used to make bottles and trays and single composite film materials. Lotte Confectionery will continue to contribute to reducing the use of packaging materials and establishing a net economy through the Sweet Eco project.



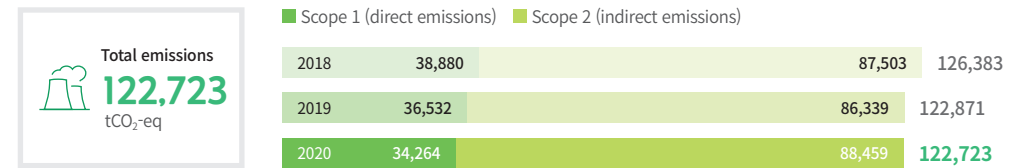
# Response to Climate Change

## Strategy to Respond to Climate Change

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



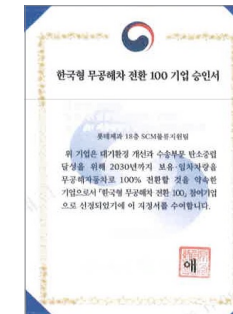
### GHG Emissions (Unit: tCO<sub>2</sub>-eq)



### GHG Intensity (Unit: tCO<sub>2</sub>-eq / product ton)



### Total Energy Use (Unit: TJ)



### Conversion to Electric Vehicles

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

Aiming to accomplish the goal from the declaration ceremony in the early stage, LOTTE Confectionery became the first confectionery company to undertake the replacement of all of its refrigerated trucks and passenger cars with electric vehicles. All 572 business vehicles (350 sales trucks and 222 cars and vans) will be switched to electric vehicles sequentially until 2025. As of December 2021, this conversion had already been completed on 77 vehicles. Through this project, which will result in an annual GHG reduction effect of 1,115 tons\* when all vehicles are replaced, LOTTE Confectionery will drive efforts to reduce carbon emissions.

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

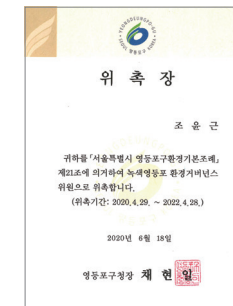


### Voluntary Activities for the Environment

LOTTE Confectionery engages in diverse activities to respond to climate change and preserve the environment. LOTTE Confectionery signed an agreement related to the '2021 Voluntary Energy Efficiency Target Demonstration Project' hosted by the Korea Energy Agency in May 2021 to improve the energy intensity target. By taking part in environment-related activities hosted by the community and Korea NGO's Energy Network, we empathize with and communicate about the importance of climate change response.

In addition, we changed the vanilla scent that was previously used in Nàtuur, a natural ice cream brand, into a raw ingredient with Rainforest Alliance\* certification in early 2021. Starting with this certification that reduces the use of chemical fertilizers, prohibits water resource contamination, preserves shade in tropical rainforests, and protects the human rights of laborers, LOTTE Confectionery will increase its use of environmentally/socially sustainable raw materials.

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



The Employment Relations Team Leader – Green Yeongdeungpo Environmental Governance Committee Activity



Signing ceremony for voluntary energy efficiency target system (Attended by Park Gyeong-Seob, the Head of Production Headquarters and an executive director)



Participation in lights-off event hosted by Korea NGO's Energy Network



Use of vanilla scent that acquired RA certification in Nàtuur

## Eco-friendly Business Site

### Air Pollution Control

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

#### Air pollutant emission outcomes for three years

Category	Unit	2018	2019	2020
Dust (PM)	Ton	1.098	0.485	0.362
Sulfur oxides (SOx)	Ton	0.030	0.010	0.014
Nitrogen oxides (NOx)	Ton	15.880	9.640	10.314
<b>Total</b>	<b>Ton</b>	<b>17.008</b>	<b>10.135</b>	<b>10.689</b>

### Water Resources Management

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

#### Water pollutant emission outcomes for three years

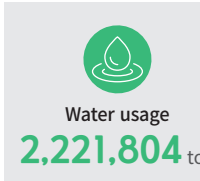
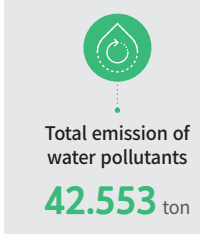
Category	Unit	2018	2019	2020
Biochemical oxygen demand (BOD)	Ton	14.921	7.527	4.846
Chemical oxygen demand (COD)	Ton	40.897	20.960	20.186
Suspensions (SS)	Ton	31.240	11.191	12.814
Total nitrogen (T-N)	Ton	6.653	8.293	3.711
Total phosphorous (T-P)	Ton	1.584	1.673	0.995
<b>Total</b>	<b>Ton</b>	<b>95.295</b>	<b>49.644</b>	<b>42.553</b>

#### Water usage for three years

Category	Unit	2018	2019	2020
<b>Total</b>	<b>Ton</b>	<b>1,355,428</b>	<b>1,335,215</b>	<b>2,221,804</b>
<b>Intensity</b>	<b>Ton / product ton</b>	<b>6.371</b>	<b>6.726</b>	<b>11.251</b>

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

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



### Supply Chain Water Resources Management

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

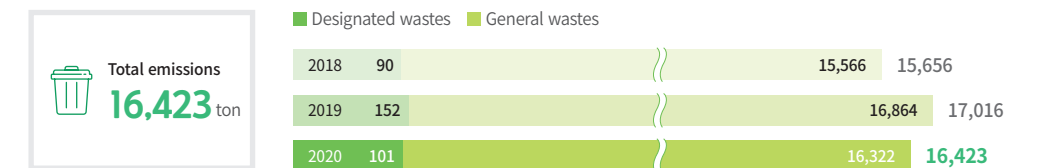
### Emission and Recycling of Wastes

All seven LOTTE Confectionery plants minimize their environmental impact by treating food wastes according to our waste treatment guidelines. Also, many of the food wastes generated during production are entrusted to a specialized firm to be recycled into fertilizer materials and biofuels. As of 2020, the waste recycling ratio was 75%. LOTTE Confectionery strives to reduce waste generation by engaging in environmental improvement activities and garbage exposure prevention activities at production sites.

Category	Unit	2018	2019	2020
Recycling rate	%	73	92	75
Intensity (general + designated)	Ton / product ton	0.07	0.09	0.08

#### Amount of wastes emission

(Unit: Ton)



#### Amount of wastes recycled

(Unit: Ton)



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

### Hazardous Chemical Management / Environmental Safety Accident Response System

All LOTTE Confectionery plants operate a warehouse for the safe management of chemicals, conducting regular inspections and keeping inspection ledgers. We provide safety education on hazardous chemicals for all plant workers every year and perform evacuation training for ammonia leakage to minimize damage to human life. We respond proactively in the event of environmental safety accidents. The amount of chemicals emitted by all plants of LOTTE Confectionery in 2020 was 39.7 tons.

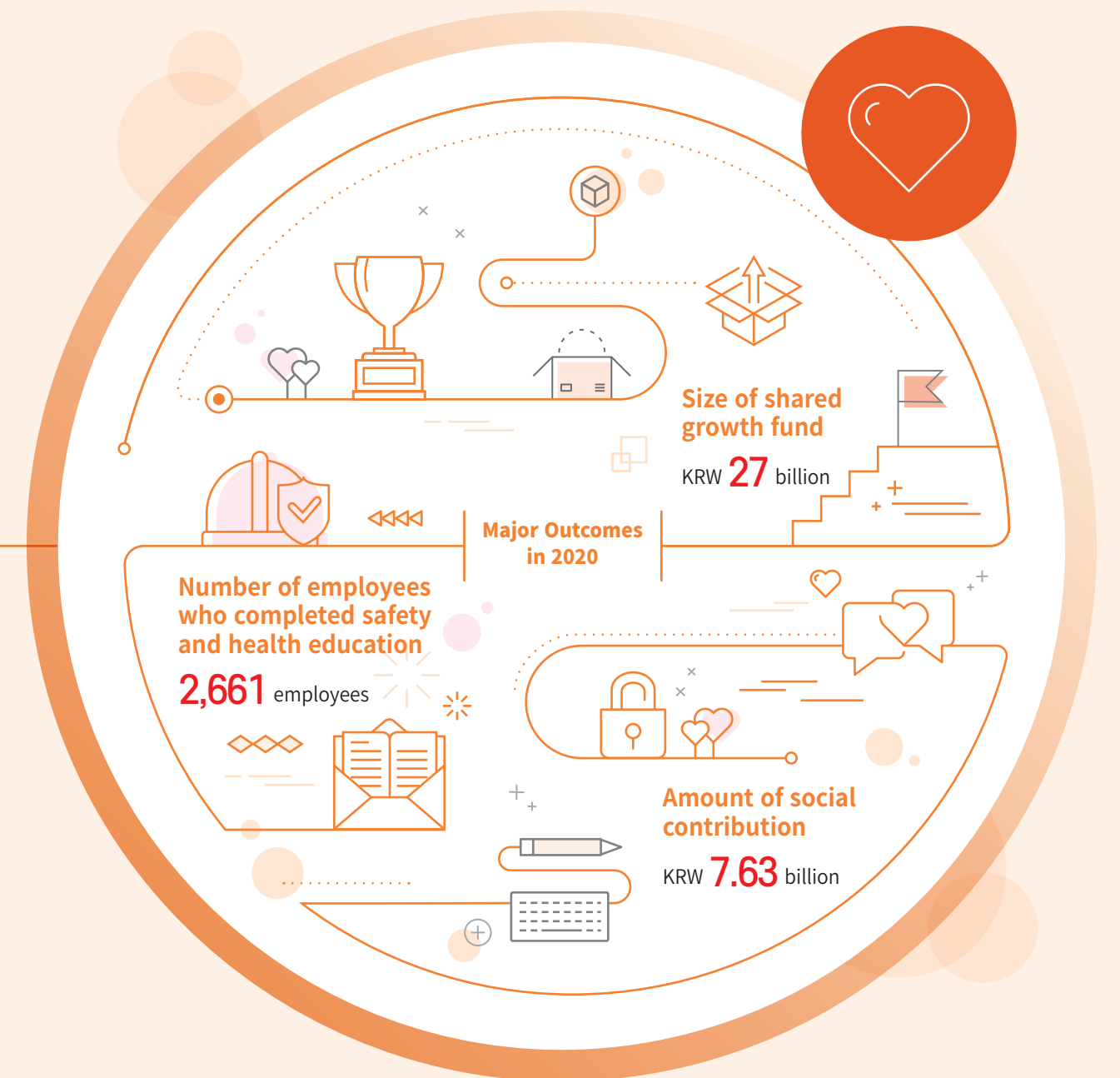
\* Replaced by emergency firefighting training due to the spread of COVID-19 in 2020 and 2021



Photos taken at ammonia leakage emergency evacuation training site in 2019

# Social Responsibility

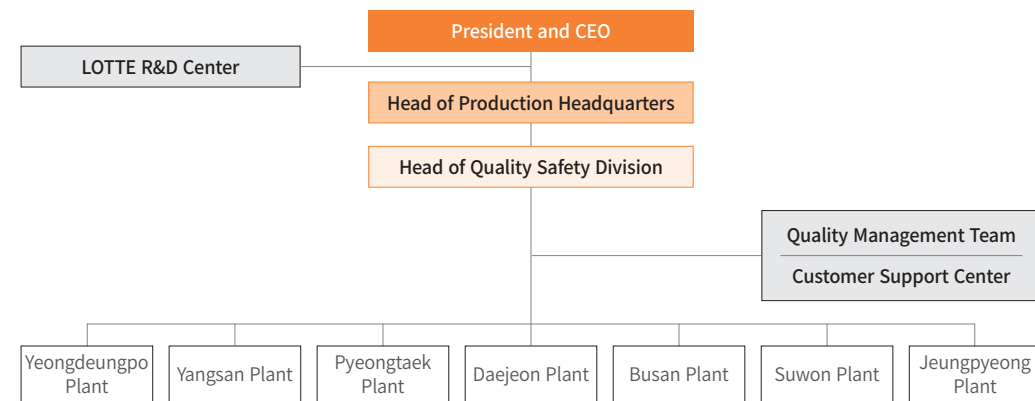
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- 50 Shared Growth
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## Quality-centered Management

### Quality Management System

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



\* Operation of dispatching quality organizations for each plant

### Food Safety Management System

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



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

### Responsible Quality Management Until Distribution

LOTTE Confectionery strives to ensure the best quality of its products, from the production stage until the time of purchase. We have dispatched 688 'family employees' (as of the end of 2020) in charge of sites under the LOTTE Distribution Business Headquarters to large distribution stores, SSMS, and small and medium-sized supermarkets around the nation. They monitor product quality at sites. We take opinions from store owners and consumers about products, including taste, package, and price, reflecting these opinions in the product order quantity for each store. We also prevent quality risks by proactively retrieving products that are about to expire or have damaged packages when displaying them. Through market-contact quality control communication, LOTTE Confectionery listens to the voices of store owners and customers and builds trust.

### R&D and Supply Chain Quality Management

From development to distribution and from raw materials to products, it is essential to secure quality safety throughout all stages. LOTTE Confectionery establishes and operates a food safety management system based on the new product safety verification system. LOTTE R&D Center established a safety center in 2009 to conduct food sanitation audits on the domestic and overseas production lines of LOTTE Confectionery and its suppliers. The audits are intended to prevent food safety risks by making improvements. In addition, we create the value of sharing by providing competency education and technical consulting to suppliers within our supply chain.

When face-to-face activities became difficult in 2020 because of the pandemic, LOTTE Confectionery implemented IoT devices (smart glasses), a first in the food industry, to operate a real-time remote food safety management system. We can manage checklists with voice recognition and hand motions without using writing utensils by wearing glasses, managing regional and overseas sites remotely in real time. In addition to remote management, we strive to remove blind spots in food safety management by developing online, contact-free education programs for our employees and suppliers.



1 Quality research at LOTTE R&D Center 2 Quality education for suppliers 3 Meeting of researchers  
 4, 5 Smart glasses 6 Contact-free quality safety education

# Customer Satisfaction Management

## Products Considering Customers' Health

### Direction of Product Development

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



### Beyond Sweet

LOTTE Confectionery has been conducting the 'Beyond Sweet' project based on the brand concept of 'Adding health to taste' since May 2021. Through this project, we expand our product portfolio to ensure the proper nourishment of consumers using ingredients that can help improve health while maintaining the good taste of products.

<p><b>Herb Candy Propolis Plus</b></p> <ul style="list-style-type: none"> <li>Propolis extract 176mg</li> <li>Antibacterial effect on the mouth</li> </ul>	<p><b>Dream Cacao 56 Vitamin E</b></p> <ul style="list-style-type: none"> <li>Contains polyphenol 150mg, taurine 1,000mg, vitamin E 1,000mg</li> <li>Antioxidant effect</li> </ul>	<p><b>Malang Cow Colostrum Protein</b></p> <ul style="list-style-type: none"> <li>Contains 0.5% colostrum protein powder</li> </ul>	<p><b>Super Energy Bar/ Super Protein Bar</b></p> <ul style="list-style-type: none"> <li>Contains vitamin B2</li> <li>Contains 9g protein</li> </ul>	<p><b>Snow Ice Probiotics</b></p> <ul style="list-style-type: none"> <li>Contains 100 million CFU of probiotics</li> <li>Helps revitalize bowel movements</li> </ul>
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### Zero

Our 'Zero' brand created sweet taste using an alternative sweetener instead of sugar, broadening the range of choices for consumers who wish to limit their sugar intake.

<p><b>Zero Mon Cher</b></p> <p>Sugar-free product (sugar 0g) (100g)</p>	<p><b>Zero Ghana Bar</b></p> <p>Sugar-free product (sugar 0g) (70g per serving)</p>
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### Halal Certification

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



### Children's Favorite Food Quality Certification

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



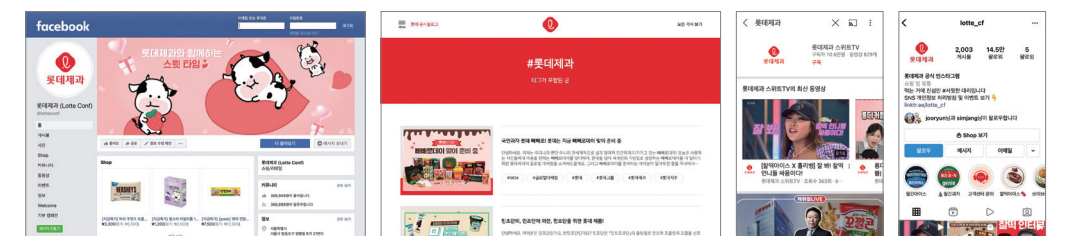
### Customer Satisfaction Management Process

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



### Live Social

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



Facebook  
<https://ko-kr.facebook.com/lotteconf/>

Blog  
<https://blog.naver.com/lotteblog>

YouTube  
 LOTTE Confectionery Sweet TV

Instagram  
 @lotte\_cf

# Safety Management

## Safety and Health Management Strategy



Safety and Health Management Policy

LOTTE Confectionery revised and announced its safety and health management policy in October 2021 to help workers at all workplaces to work in safe and pleasant facilities and environments, and in December of the same year, it obtained certification of ISO45001 (Safety and Health Management System). Based on this, various risks that may occur at each workplace are predicted and prevented through the safety and health management policy and the PDCA (Plan-Do-Check-Act)-based operation process map. In addition, as a target company to PSM (Process Safety Management) Report, LOTTE Confectionery continues to participate in regular implementation evaluations from the Ministry of Employment and Labor and the the Korea Occupational Safety and Health Agency and faithfully implements safe driving plans and emergency measures plans. As a result of these efforts, LOTTE Confectionery has obtained and maintained the S (good) grade as a result of the 2019 evaluation.



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

## Responsibilities and Authorities of Safety and Health System

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

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

## Safety and Health Management Prevention Activities

Each business site performs risk assessment and conducts safety self-inspection at least once a month to prepare for possible accidents, with the goal of achieving zero accidents.

### Example of business site risk prevention through risk assessment

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

### Number of accidents that occurred in three years

Category	2018	2019	2020
For branches and plants	6	7	12

### Accident rate for three years

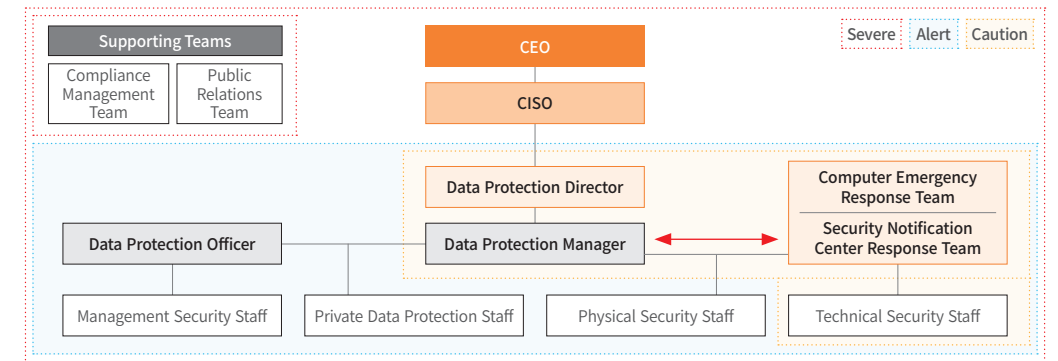
Category	2018	2019	2020
Accident rate	0.12	0.15	0.28
LTIFR*	0.64	0.75	1.28

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

# Information Security

## Information Security Strategy

With increasing cybersecurity threats, the importance of information security and protecting the personal information of consumers and corporate information has been growing. With this in mind, LOTTE Confectionery has formed an information protection organization to strengthen its security activities according to the legal regulations. The information protection organization designates a manager for each of the four areas, including management, physical, technology, and personal information. In addition, we conduct information security activities by reinforcing security solutions through annual vulnerability assessments.



## Raising Information Security Awareness

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



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



Information Security Newsletters

<b>Mock Virus Training in Each Quarter</b>	<b>Internal/Human Management System</b>	<b>Information Security Newsletters</b>
• Response to external breaches • Annual infringement accident training Flexible response to problems	• Self-inspection in offices • Securement of essential security solutions	• Sharing of security inspection awareness once a month

## Information Security Infringement Response System

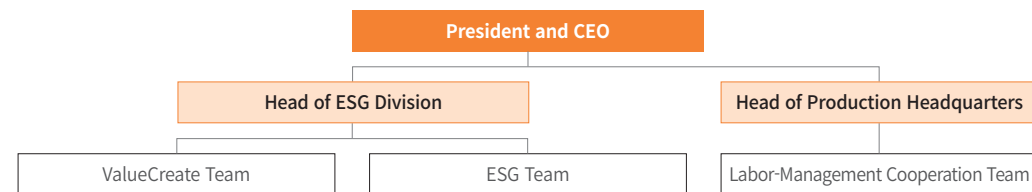
LOTTE Confectionery clarifies the definition and scope of information security infringement incidents, and establishes a response system. We manage information security thoroughly by defining infringement incidents in accordance with the Group's Information Security Regulation Article 72 regarding leakage, exposure, and alteration of confidential information of the company or personal information, delay and discontinuation of company's services, and unauthorized breaches of physically controlled areas or internal computer network. In addition, the severity of infringement accidents defined in Article 37 of the Group's Information Protection Regulation is used to prevent possible infringement incidents, and establish response measures.

Category	Criterion	Response activity
<b>Serious</b>	• Information network and system discontinued for 60 minutes or longer • Customer services discontinued for 10 minutes or longer • Leakage/exposure of personal information • Occurrence of social issues due to violation of laws and regulations	• Operation of infringement countermeasure headquarters • Operation of general situation room • Hosting of emergency information protection committee • Dispatch of infringement response team
<b>Alert</b>	• Information network and system discontinued for 30 minutes or longer • Occurrence of personal information theft accident	• Operation of general situation room • Emergency information protection action committee • Dispatch of infringement response team
<b>Caution</b>	• Detection of external infringement attempts • Infiltration by malicious email/software	• Dispatch of infringement response team • Internal response and settlement before reporting to information protection committee
<b>Attention</b>	• Press release on signs of invasion or security accident	• Company's internal response activity (internal announcements and contact network inspection)

## Employee Value Creation Culture

### Employee Value Creation Culture System

LOTTE Confectionery works to build a sound labor-management culture, and supports a good work-life balance for all employees. We are preparing various systems and programs to form an employee value culture. The ValueCreate Team and ESG Team under the ESG Division and the Labor-Management Cooperation Team under the Production Headquarters are operated as dedicated organizations in charge.



### Company with an Excellent Labor-Management Culture

In 2019, LOTTE Confectionery was selected by the Ministry of Employment and Labor as a company with an excellent labor-management culture, and has maintained this status ever since. We will continue our efforts to expand an excellent labor-management culture and practice social responsibilities through labor-management cooperation.



Certification of company with excellent labor-management culture

Tripartite declaration for joint practice of social responsibility

Tripartite declaration to practice workplace policy of mutual respect

### Labor-Management Cooperation Programs

	Representative meetings	Labor-management joint workshop	Labor-management one-mind rally	Labor-management-private-government sports festival
<b>Time</b>	Once a year	Once a year	Once a year	Once a year
<b>Target</b>	CEO, labor-management executives	Labor-management executives	Labor-management executives	Labor-management executives



Labor-management joint workshop

### Assessing our Value Creation Culture

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

Level of corporate culture	Practice by members	Basic elements of corporate culture
1 Family management 2 Win-win management 3 Creation of happiness for employees 4 Creation of corporate value 5 Creation of social value	6 Work satisfaction 7 Respect for coworkers 8 Pride in organization 9 Pursuit of efficiency 10 Pursuit of innovation 11 Pursuit of performance 12 Compliance management 13 Ethical management 14 Social contribution	15 Challenge 16 Respect 17 Originality 18 Trust 19 Cooperation 20 Diversity

### Work-Life Balance

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



Family-friendly company in 2019

Number of employees who used their parental leave (Unit: Person)			Work return rate after using paternal leave (Unit: %)		Ratio of returners who worked for 12 months or longer (Unit: %)	
Category	2018	2019	2020	2018	2019	2020
Male	86	84	45	46.7	90.0	
Female	81	42	49	82.5	88.5	
<b>Total</b>	<b>167</b>	<b>126</b>	<b>94</b>	<b>93.6</b>	<b>84.6</b>	

### Major Programs to Improve Work Environment and Organizational Culture

<b>Leaves and flexible work</b>	Flexible work system / working from home / sabbatical leave / one-fourth day leave system / annual leave donation system / collective annual leave / automatic PC shut-off system, etc.
<b>Single title system</b>	System to use the title of 'sir' among employees to promote a horizontal organization culture
<b>Refresh campaign</b>	Retrieval of approval file and 100% electronic approval for efficient reporting culture

### Employee Communication Programs

LOTTE Confectionery is reinforcing its communication programs to strengthen the two-way communication between management and employees. While avoiding top-down decision-making, we try to build a creative organizational culture to improve work efficiencies and pursue innovation through the involvement of employees.

Communication Meetings	Junior Board	Employee Anonymous Board	Seolleim Talk
CEO-employee communication activities	Junior board of directors consisting of young hands-on workers	Anonymous Opinions and Suggestion Board for Employees	Head of each division-members communication activities

### Human Rights Management System

LOTTE Confectionery tries its best to minimize human rights infringement risks at business sites. We protect victims and take actions against wrongdoers according to our 'workplace sexual harassment prevention guideline' and 'workplace bullying prevention guideline.' We also create and distribute checklists for different risks in order to prevent them.

In addition, LOTTE Confectionery has been supporting and observing the 10 principles of the UN Global Compact under four domains, which are human rights, labor, environment, and anti-corruption, since 2016. In the future, LOTTE Confectionery will protect and enhance human rights according to international standards, prevent human rights infringements that can occur during corporate activities, and become a company that offers sustainable satisfaction to all stakeholders.

### Open Recruitment



### Female leader training program of LOTTE Group

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

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



Commendation for Distinguished Service for Promoting Employment for People with Disabilities

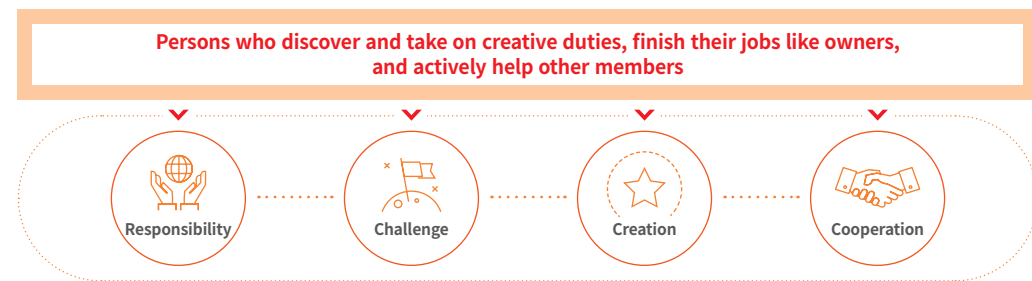
Category	2018	2019	2020
Manager status	23.8	24.1	12.8
Executive status	5.3	5.1	2.9
Status of women in profit-making organization	38.1	38.8	38.1

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

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

### Right People for LOTTE Confectionery

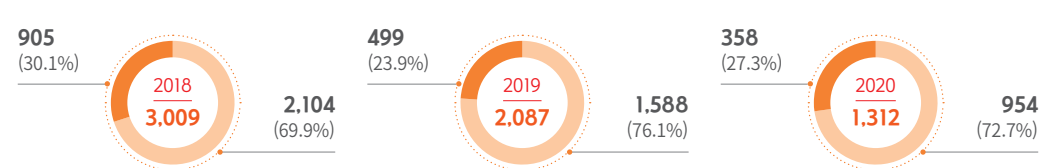
People are at the center of all corporate activities of LOTTE Confectionery. Our mission to contribute to abundant lives of people is linked to 'responsibility,' 'challenge,' 'creation,' and 'cooperation.' We recruit human resources that accord with these qualities.



### Open Recruitment Process

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

### Three-year new recruitment status



\* Including part-time jobs

### Diversity and Non-discrimination

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

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

\* As of October 2021

### Fostering Future Human Resources

### Human Resource Fostering Programs

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

### Education system for each job position

Category	Class	Knowledge	Duty	Global
Senior Manager		External MBA		
Manager	Promotion qualification course for Each grade	Leadership education (position)	Interviewer certification course	Internal language Each grade
Senior Assistant		Core Value Workshop	Special lunch lecture	Global school (residents-to-be)
Assistant	New employee education	E-learning/reading communication course	External entrusted education	
		Legal education	Job specialist training course	

### Three-year education expenses

Year	2018	2019	2020
2018	2,558		
2019		2,663	
2020			1,508

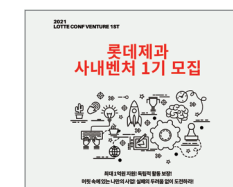
### Three-year total education and training hours

Year	2018	2019	2020
2018	145,214		
2019		139,770	
2020			51,764

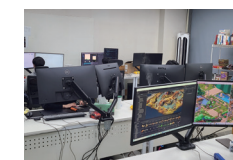
### Three-year education expenses (per person)

Year	2018	2019	2020
2018	0.72		
2019		0.78	
2020			0.46

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



Poster for the First Recruitment of the In-house Venture Project



Office view of 'Stand Egg'

### Internal Venture System

In 2021, LOTTE Confectionery started to operate its 'internal venture system' to break away from the conventional organizational framework and seek opportunities for innovative and convergent businesses and technologies. All employees can apply for the system, regardless of job position or division. The selected team is provided with an independent office space and funding of up to KRW 100 million. 'Stand Egg' is the startup selected for the first season of internal venture developing a mobile metaverse game. This company received additional support from the Korea Institute of Startup & Entrepreneurship Development for the SME startup support project, and is scheduled to launch its service in 2022. Through such systems, LOTTE Confectionery will encourage the creative efforts of all employees and find future growth engines.

### Building Work System Based on DT

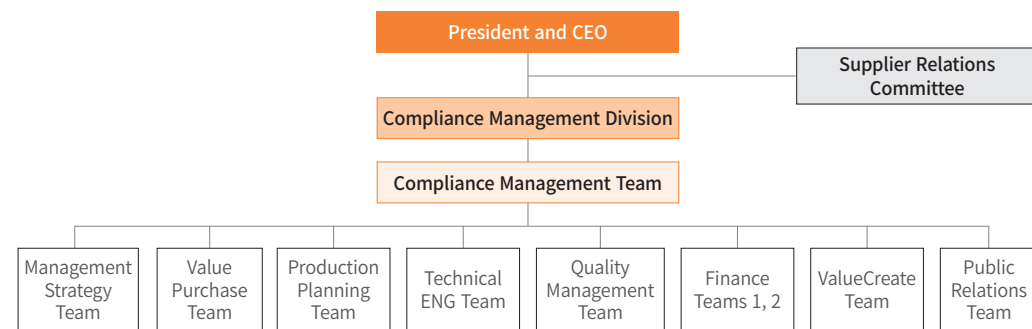
Starting with its profit information sophistication project in 2020, LOTTE Confectionery has been establishing a master plan to promote digital transformation. The S&OP system will be opened in March 2022 to synchronize the sales-production-purchase functions digitally. We expect to reduce the SCM cost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

## Shared Growth

### Shared Growth Promotion Strategy

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

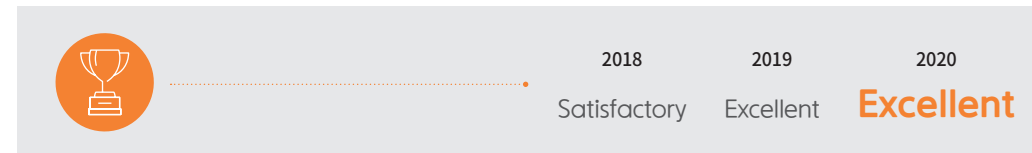
#### Shared Growth Promotion System



#### Shared Growth Index Evaluation

LOTTE Confectionery has maintained the Excellent Grade for two years in a row in the shared growth index, which evaluates the level of shared growth of conglomerates to facilitate shared growth between SMEs and conglomerates. We will continue to promote development and win-win relationship with suppliers.

#### Grade



#### Support for Mutually-beneficial Cooperation

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

#### Financial Support Programs

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

Category	2018	2019	2020
Number of companies (ea.)	21	21	29
Amount (KRW 100 million)	220	270	270

### Food Safety Consulting

LOTTE Confectionery offers food safety consulting to suppliers every year to remove potential food safety risks of suppliers and improve quality for growth. Our consulting is related to reducing product claims, reducing the entry of foreign material, and securing the safety of raw materials. In 2020, we provided 104 consulting services to 53 suppliers.

#### Providing Food Safety Consulting

(Unit: Case)



### Industrial Innovation Movement

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

#### Example of quantitative outcomes of companies participating in the Industrial Innovation Movement in 2020

<b>Company D</b>	<ul style="list-style-type: none"> <li>Reduced non-operating hours from 265 to 71 hours through an integrated control management system (improved by 73.2%)</li> <li>Number of quality defects reduced from 25 to 10 cases (improved by 60%)</li> </ul>
<b>Company S</b>	<ul style="list-style-type: none"> <li>Reduced defect rate from 390PPM to 90PPM through process improvement (improved by 76.9%)</li> </ul>

### Human Resource Development and Educational Support

LOTTE Confectionery runs an online shared growth academy throughout the year to help suppliers develop human resources. In 2020, we provided online education programs to 131 executives and employees of 10 partnering companies in various fields such as foreign language, finance, IT, reading, and leadership skills.



Category	2018	2019	2020
Number of companies (ea.)	10	25	10
Educational Program (Persons)	102	115	131

The LOTTE Safety Academy for food safety managers educates quality managers of suppliers regarding the latest food-related laws and policies twice every year to improve their quality management expertise. We will further solidify our basis for shared growth by providing more diverse educational support in the future.

1	2	3	4	5
Food safety manager education (LOTTE Safety Academy)	Education on repacking prohibition law to increase job competency of suppliers	Job competency education to improve sanitary management of suppliers	Video education on origin labeling of suppliers	Job competency education to reduce claims of suppliers
Number of participating companies: 14	Number of participating companies: 5	Number of participating companies: 3	Number of participating companies: 1	Number of participating companies: 26

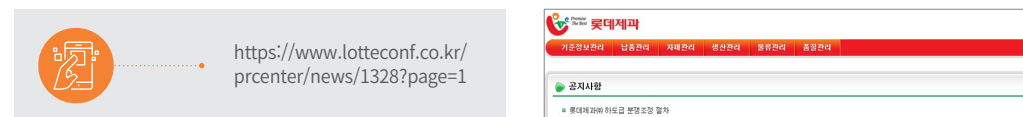
### Communication with Suppliers

LOTTE Confectionery lays the groundwork for communication and cooperation with suppliers. ‘Supplier Workshop’ and ‘Family Day Event for Excellent Shared Growth Suppliers’ are held to help suppliers understand our shared growth programs and promote amicable relationships. In 2020, our Supplier Workshop was held online to prevent the spread of COVID-19. The Family Day Event for Excellent Shared Growth Suppliers was carried out by visiting each supplier on 15 occasions in total. Notably, LOTTE Confectionery created a new reward system for outstanding employees of suppliers for our Family Day event in 2020 to raise companionship awareness with suppliers.



### Unfair Conduct Report Channel for Suppliers

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



## Social Contributions

### Social Contributions

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

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



#### 1 Sweet Home

LOTTE Confectionery builds a regional children’s center every year by taking requests from local governments in farming and fishing areas. We cooperate with Save the Children and local governments, and the project expenses are covered by the revenues from Pepero. The first center was built in Wanju-gun, Jeollabuk-do, in March 2013, and the project has continued for nine years. The ninth center was constructed in Saha-gu, Busan, in November 2021. By conducting interviews with the center directors and surveys, we confirmed that children visiting the centers have experienced positive changes in their emotional development and learning ability.

Organization: Save the Children



#### 2 Sweet School

LOTTE Confectionery is improving the recreational environment in schools by building a play area in an idle space in an elementary school to improve children’s right to play by utilizing the proceeds from Pepero sales. In October 2020, the first Sweet School project was built at Banggok Elementary School in Jeonggwan-myeon, Gijang-gun, Busan, and in November 2021, the second was built at Wontong Elementary School in Inje-gun, Gangwon-do.

Organization: Save the Children



#### 3 Sweet Picnic

Sweet Picnic is a cultural experience program prepared to help beneficiaries of Sweet Home overcome cultural alienation. After building Sweet Home No. 1 in November 2013, we invited 30 children in the summer of 2014 and offered a cultural learning experience in the city of Seoul. We invite children of Sweet Home to Seoul every year to give them a range of cultural benefits, including a free field trip to the ‘Sweet Factory’ museum and an experience in LOTTE affiliates.

Organization: Save the Children



#### 4 Sweet Box

This social contribution activity was launched in 2013 to donate products to local children, disabled persons, seniors, and war veterans. We have turned this activity into an official program for systematic operation.

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



#### 5 Sweet Factory

This is the first experiential snack museum of the confectionery industry, and opened in March 2010. This edutainment space combines educational and play experiences. The experience space is divided into different kinds of snacks, such as gum, chocolate, and ice cream. Visitors can learn the manufacturing processes and principles of LOTTE Confectionery. The video hall screens an animation related to dental health, and free snacks are given to all participants.





Social Contributions Linked to Xylitol

Dr. Xylitol Bus

This social contribution program is a part of the 'Republic of Korea with Healthy Teeth' project that provides free outreach dental care services in cooperation with the Korean Dental Association. We visit people who have fallen through the cracks in the area of dental services, such as seniors who live alone and disabled persons, once a month to provide outreach dental services and supplies. In addition, we have been cooperating to enhance national oral health through treatment in medically vulnerable areas, promotion projects to prevent oral diseases, and oral care education for children and adolescents.

Organization: Korean Dental Association



Gum Chewing Campaign to Prevent Drowsy Driving

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

Organization: Korea Expressway Corporation



Social Contributions Involving Employees



Charlotte Volunteer Service Group

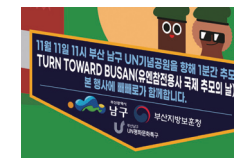
Each affiliate of the LOTTE Group operates the Charlotte Volunteer Service Group consisting of employees. LOTTE Confectionery formed a volunteer group called 'Hamhaengbok,' meaning 'People Who Make Happiness Together,' in 2005. This volunteer group has been sharing with neighbors in the community for 17 years. In 2020, LOTTE Confectionery donated daily necessities and products to local welfare centers to minimize face-to-face contact and prevent the spread of COVID-19.



Making Mood Light / Temperature of Mind 37 Degrees

LOTTE Confectionery also drives social contributions involving the direct participation of employees. While there have been some difficulties in volunteer activities due to the spread of COVID-19, employees of LOTTE Confectionery are continuing their sharing through contact-free activities. In September 2020, 127 employees participated in the contact-free activity of 'making mood lights' with Korean Red Cross. DIY acrylic mood lights made were delivered to neighbors in need. Also, 41 employees took part in the Salvation Army Christmas Kettle and the 'Temperature of Mind 37 Degrees' and 'scarf knitting' campaigns of LOTTE Corporation.

Organization: Korean Red Cross, Salvation Army Christmas Kettle



Turn Toward Busan promotion message on Pepero package in 2020

Turn Toward Busan Agreement

November 11, 'Pepero Day,' is also 'UN Veterans Day.' On the 70<sup>th</sup> anniversary of the Korean War, LOTTE Confectionery signed the 'Turn Toward Busan' agreement with the Ministry of Patriots and Veterans Affairs, Busan Office and Busan Nam-gu Office in September 2020 to honor the sacrifice and devotion of UN war veterans. We made about 700,000 Pepero products with the introductory message of 'Turn Toward Busan' inserted to publicize UN Veterans Day. We also delivered quarantine supplies and thank-you letters with Pepero to 227 war veterans in four countries, including Sweden and Canada. Through these activities, we are trying to make November 11<sup>th</sup> 'Pepero Day' a win-win anniversary.



Turn Toward Busan agreement ceremony

List of veteran countries sponsored

Country	Number (EA)	Remarks
Canada	1	Vincent Courtney (proposer of Turn Toward Busan)
Sweden	200	-
Norway	20	-
Luxemburg	6	Directly received by Chief Advisor
<b>Total</b>	<b>227</b>	-

Cumulative Number of Social Contribution Beneficiaries

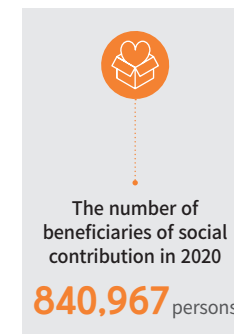
(Unit: Person)

Category	2019	2020	Cumulative (2010~)
Sweet Home	196	220	1,069
Sweet Picnic	35	27	208
Sweet School	-	1,050	1,050
Dr. Xylitol Bus	332	34	4,548
Sweet Box	1,354,680	826,680	5,049,160
Sweet Factory	39,705	4,172	419,363
Gum Chewing Campaign to Prevent Drowsy Driving	61,618	8,784	354,496
<b>Total</b>	<b>1,456,566</b>	<b>840,967</b>	<b>5,829,894</b>

Social Contribution Expenses

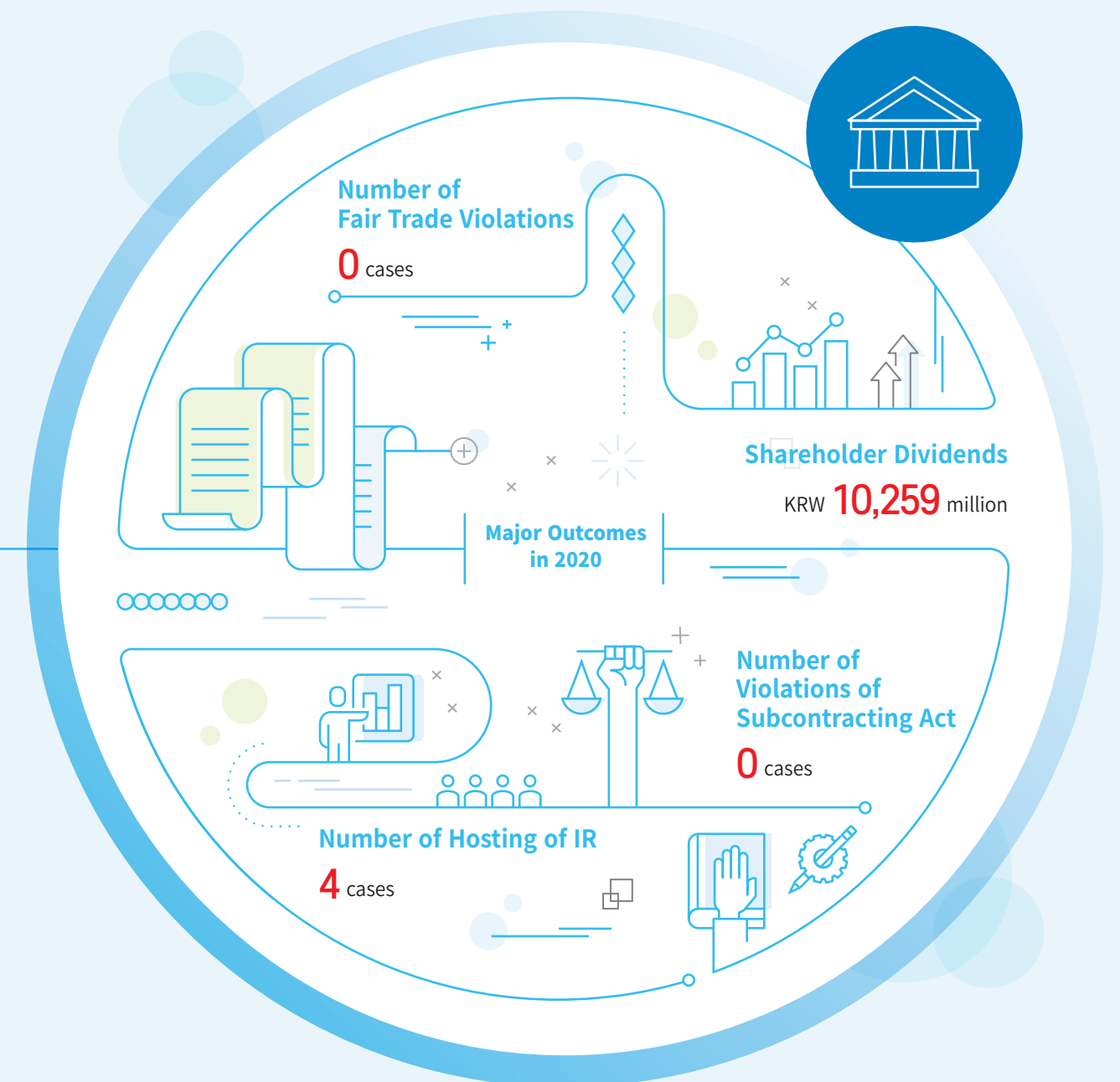
(Unit: KRW)

Category	2018	2019	2020	Remarks
Charitable donations	7,964,731,913	9,170,080,031	5,710,069,490	Donation in cash and spot
Community investment	230,939,079	231,313,594	334,863,321	Establishment of community child welfare facilities (Sweet Home/School)
Commercial initiative	2,377,860,147	2,039,803,580	1,587,874,823	Sponsorship of sports associations, operation of experience center, etc.
<b>Total</b>	<b>10,573,531,139</b>	<b>11,441,197,205</b>	<b>7,632,807,634</b>	



# Ethical Governance

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# Governance

## Board of Directors

### Composition and Rules of the BOD

LOTTE Confectionery operates a Board of Directors consisting of 5 independent directors out of 8 board members (62.5% ratio of independent directors) to reinforce the independence and transparency of the BOD. In addition, we enhance transparency by appointing independent directors whose independence has been approved through the Independent Director Candidate Recommendation Committee, and support the BOD in supervising and checking the management. Decisions of the BOD are deliberated and voted on according to the Articles of Association and BOD regulations. Directors who have a special interest or a possibility of conflict of interest may be restricted from exercising their voting right.

Name	Purpose of Organization	Composition
Board of Directors	The highest decision-making body that decides main items in company management of LOTTE Confectionery	3 Executive Directors, 5 Independent Directors Dong-Bin Shin, Young-Gu Lee (Chairman), Gyung-Hwon Lee, Jong-Jun Kim, Geon Na, Dong-Gyu Lee, Seong-Ho Han, Mun-Gi Sohn
Nomination Committee	Decides the necessary matters to recommend independent director candidates	5 Independent Directors Jong-Jun Kim, Geon Na, Dong-Gyu Lee, Seong-Ho Han, Mun-Gi Sohn (Chairman of Committee)
Audit Committee	Approval for supervision of performance of duties, appointment of external auditors, etc.	3 Independent Directors Jong-Jun Kim (Chairman of Committee), Geon Na, Mun-Gi Sohn
Transparent Management Committee	Enhancing the transparency of transactions of persons with a special relationship and realizing transparent management	3 Independent Directors Jong-Jun Kim, Dong-Gyu Lee (Chairman of Committee), Seong-Ho Han
Executive Committee	Deliberates matters that need to be reviewed in advance to submit to the BOD for discussion	2 Executive Directors, 6 Executive Officers Young-Gu Lee (Chairman of Committee), Gyung-Hwon Lee, Myeong-Rim Choi, Jae-Woog Jeong, Seong-Cheol Choi, Yeon-Gang Jeong, Gyeong-Seop Park, Gyu-Sang Choi
Remuneration Committee	Approval of remuneration limit and individual remuneration (including bonus) of registered directors	3 Independent Directors Geon Na (Chairman of Committee), Dong-Gyu Lee, Mun-Gi Sohn
ESG Committee	Determines and reviews ESG management activities and related investment decisions	1 Executive Director, 5 Independent Directors Young-Gu Lee, Jong-Jun Kim, Geon Na, Dong-Gyu Lee, Seong-Ho Han (Chairman of Committee), Mun-Gi Sohn

### Number of board members

In a rapidly changing management environment, the strategic judgment of the BOD is continuously required, and the expertise and diversity of each director are needed. Accordingly, the BOD is operated by members with expertise in various fields. Independent directors consisting of internal directors with proven management ability, 1 director in the management field, 1 director in the legal field, 1 director in the accounting/finance field, 1 director in the design field, and 1 director in the food field represent the various stakeholders and make reasoned judgments and decisions on the key management issues of the company. We hold regular and nonregular meetings between members to discuss the current issues related to company management in-depth. Accurate internal data of the company needed for the BOD to make reasoned judgments are promptly provided by the company officials. In particular, an expert in the field of accounting and finance is the representative auditor in the Audit Committee, and is professionally qualified to play the role of a supervisor in the accounting and affairs of the company.

Category	Name	Current Position	Career History	Field of Expertise	Recommender
Executive Directors	Dong-Bin Shin	(Current) LOTTE Group Chairman	Columbia University MBA, (Current) LOTTE Corporation CEO	Management	Board of Directors
	Young-Gu Lee	(Current) LOTTE Confectionery CEO	Soongsil University, Undergraduate School of Industrial Engineering, (Former) LOTTE Chilsung Beverage CEO	Management	
	Gyung-Hwon Lee	(Current) Director of LOTTE R&D Center	Korea University, Graduate School of Biomedical and Life Science, Ph.D., (Former) Director of LOTTE R&D Food Division	Food Engineering	
Independent Director	Jong-Jun Kim	-	Sung Kyun Kwan University, Undergraduate School of Economics, (Former) President of Hana Bank, (Former) Advisor of BAE, KIM & LEE LLC	Accounting/ Finance	Independent Directors Candidate Recommendation Committee
	Geon Na	(Current) Professor at Hongik University IDAS	Tufts University, Graduate School of Industrial Design, Ph.D., (Former) Chairman of Korea Academy of Design Management	Design	
	Dong-Gyu Lee	(Current) Standing Advisor of Kim & Chang	Korea National Defense University, Graduate School of Safety and Security Studies, (Former) Secretary General of Fair Trade Commission	Law	
	Seong-Ho Han	(Current) Professor at Department of Industrial & Management Engineering, POSTECH	Virginia Polytechnic Institute and State University, Human Factors Engineering and Ergonomics, Ph.D., (Former) Chairman of Ergonomics Society of Korea	Management	
	Mun-Gi Sohn	(Current) Professor at Department of Food Science and Biotechnology, Kyunghee University	Rutgers University, Food Engineering, Ph.D., (Former) Minister of Food and Drug Safety	Food	

\* As of December 2021

### Operation Status of the BOD

The Board of Directors of LOTTE Confectionery is hosted regularly according to the annual operation plan, and a temporary BOD is hosted when necessary. In 2020, we discussed a total of 29 cases by hosting eight board of BOD meetings. The attendance rate of independent directors was 97%, and the details are disclosed via Business Report, Corporate Governance Report, and our website.

Category	2018	2019	2020
Number of BOD Meetings (Session)	12	10	8
Number of Agenda (Case)	40	30	29
Attendance Rate (%)	Executive Directors	75	80
	Independent Directors	95	99

### Performance Assessment and Reward of the BOD

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

Category	Number of Persons	Total Remuneration Amount (1,000 KRW)	Average Remuneration per Person (1,000 KRW)	Remark
Registered Directors (Independent directors and Audit Committee members excluded)	3	5,568,418	1,392,104	-
Independent directors (Audit Committee members excluded)	2	148,030	74,015	-
Audit Committee members	3	228,060	76,020	-

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

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

\*\*\* As of the end of December 2020

## Governance

### Introduction of Corporate Governance Charter

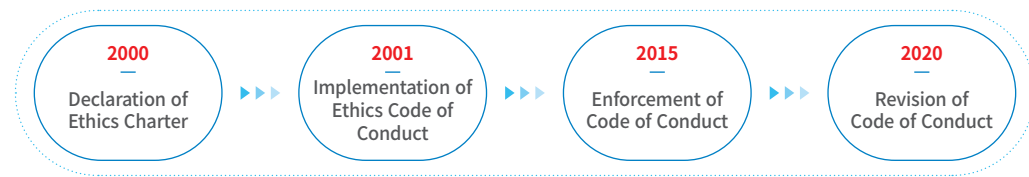
LOTTE Confectionery enacted the Corporate Governance Charter in May 2021 and disclosed it on the website to convey its intent to establish transparent governance to the stakeholders. The Articles of Association and BOD and committee regulations are also disclosed on our website along with the Corporate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



# Ethical Management

## Ethical Management

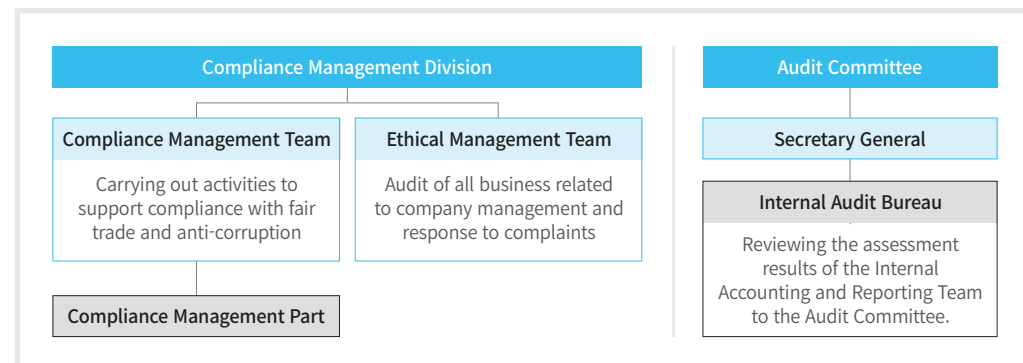
In the information society, the political, economic, and social risks of corporate activities are increasing. The key to preventing such risks is for all employees to strictly fulfill the requirements of ethical management. LOTTE Confectionery declared the Ethics Charter and established and implemented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



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

### Ethical and Compliance Management System

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



Compliance column within intra-company newsletter

### Ethical Management Communication

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

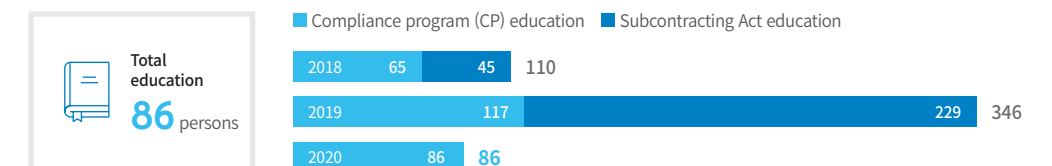
<b>LOTTE Confectionery Complaint Reporting System Website</b> <a href="https://www.lotteconf.co.kr/operation/complaint/view">https://www.lotteconf.co.kr/operation/complaint/view</a>	<b>Email</b> hotline@lotte.net	<b>Receipt by mail</b> 10, Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul (LOTTE Confectionery,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

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

### Ethical Management Education

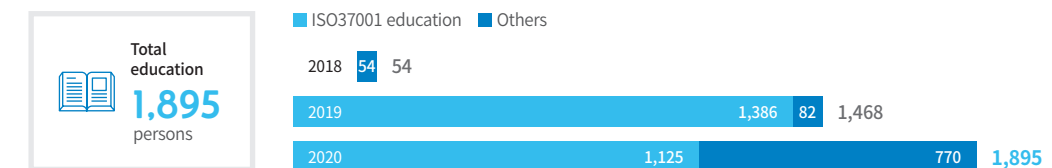
(Unit: Person)



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

### Anti-corruption education

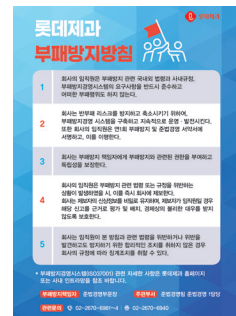
(Unit: Person)



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



Certificate of Anti-Bribery Management System



Disclosing and Distributing Anti-Corruption Policy

### Acquisition of Anti-Bribery Management System (ISO37001)

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



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

### Introduction to Fair Trade Compliance Program

LOTTE Confectionery introduced the Fair Trade Compliance Program in April 2002 to prevent violations of the law and lead the establishment of fair and transparent competition orders. We re-announced the compliance declaration in August 2020 and created the Committee organization. We are establishing a system through advanced prevention activities such as the operation of the reporting and monitoring system, the performance of training, and the preparation of guides. The compliance manager is appointed upon approval of the BOD, performs the role of supervisor of the Compliance Secretariat, and has practical rights and responsibilities over the effective operation of the compliance program. We also appointed the team leaders of all departments and field manager of all sites as the compliance officer to manage the company's compliance programs.

In addition, we are striving to fulfill ethical management such as checking risk elements related to unfair trade practices through the Compliance Secretariat and carrying out fair trade education for employees. We also operate the 'Complaint Reporting System' for reporting and whistleblowing on ethics violations by the company and the 'Clean Center' to strictly prohibit the receipt or request of money or valuables.

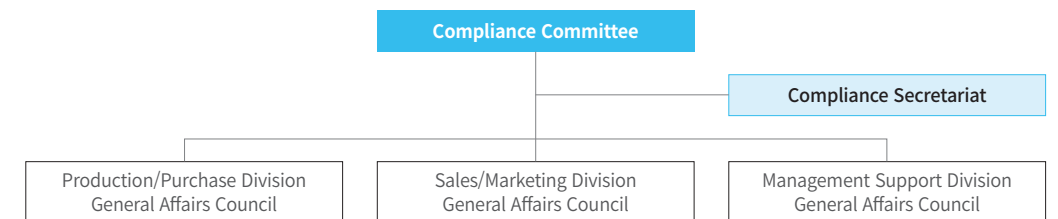
### Code of Conduct for Compliance

LOTTE Confectionery established the 'Fair Trade Compliance Code of Conduct' to set basic procedures and criteria for its employees to comply with laws related to fair trade, including the 'Enforcement Decree of the Monopoly Regulation and Fair Trade Act.'



1. Respect the market economy's order and compete justly and according to the principle of free competition.
2. Never harm consumer interests under any circumstances and strive to provide quality service.
3. Establish the market competition order through competition with competitors based on trust and respect.
4. Trade with partners on an equal footing and promote balanced development through cooperation.

### Fair Trade Compliance Committee Organization Chart



## Protection of Shareholders' Rights

### General Meeting of Shareholders

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

### Protection of Shareholders' Rights



The 4<sup>th</sup> LOTTE Confectionery Regular General Meeting of Shareholders

### Shareholders and Investors Communication

LOTTE Confectionery strives to provide timely information of the company to various stakeholders, including shareholders and investors. We announce results by posting quarterly IR data on our website. And we answer the questions of investors and listen to the requests made to the company through investor relations and NDR (Non-Deal Roadshow) for major institutional investors. The dedicated IR division also carries out communications through frequent meetings with institutions and individual investors. In particular, we are expanding our contactless forms of communication due to COVID-19, such as video conferences and conference calls, for the convenience of shareholders. For the convenience of domestic and foreign shareholders, we disclose the related materials in Korean and English. The history of IRs held in recent 4 years is as follows, and 8 investor relations held in 2021 were carried out as contactless video conferences.

### Investor Relations (IR) Hosting Status

(Unit: Session)

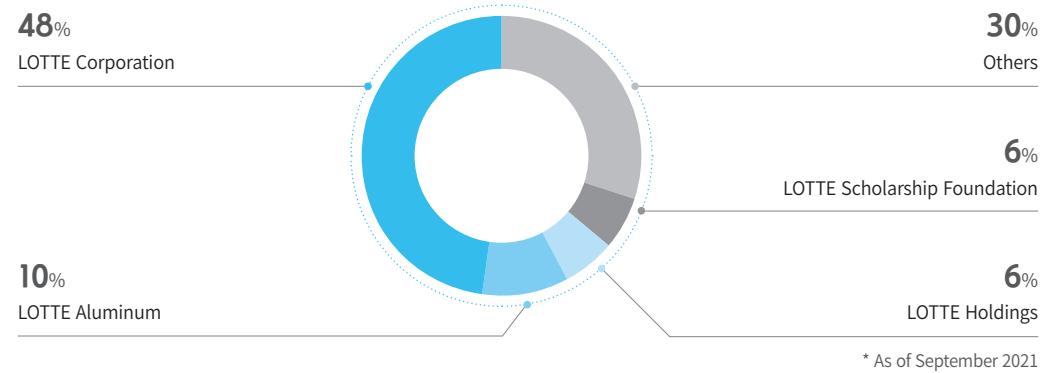
	2018	2019	2020	2021
Investor Relations (IR) Hosting Status	4	0	4	8

\* Based on January to October for 2021

**Transparent Disclose**

LOTTE Confectionery tries to provide accurate information about the overall business affairs of the company to shareholders and stakeholders in the market at the right time. We announce the convocation of general meetings of shareholders while providing sufficient information for a period longer than the legal convocation period to guarantee that our shareholders can exercise their rights. In addition, when the Board of Directors makes decisions about major management affairs of the company or a fact that can have a significant impact on investment decisions arises, it is immediately announced to the market. As of September 2021, LOTTE Corporation is the largest shareholder of LOTTE Confectionery, and its share ratio is 48.42%. The total shares of affiliated parties is 76.99%.

**Share ownership ratio\***



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

**Risk Management**

**Company-wide Risk Management System**

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

**Definition and Management of Potential Risks**

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

**Internal Accounting Management System**

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

# Appendix

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## Major ESG Outcomes

### Economy

#### Summary of Separate Financial Statements

Category	Unit	2018	2019	2020
Sales	Domestic	1,487,957	1,435,446	1,434,752
	Overseas	98,156	94,700	96,433
	Total	1,586,113	1,530,146	1,531,185
Operating profit		59,902	63,509	86,560
Profit before Income Tax	KRW million	26,743	21,180	50,046
Net profit		16,815	11,059	36,528
Liabilities		1,044,279	1,130,641	1,121,509
Capital		1,195,505	1,196,397	1,226,856
Assets		2,239,784	2,327,038	2,348,365

#### Investments and R&D expenses

Category	Unit	2018	2019	2020
Eco-friendly investment	Energy reduction KRW 100 million	34.5	16.4	16.8
R&D expenses	KRW million	11,778	13,964	13,134
Percentage to sales (Total R&D expenses ÷ Sales of the current term × 100)	%	0.70	0.67	0.63
Management expenses of crisis and opportunity elements due to climate change	ISO14001 screening expenses	17.3	18.5	18.1
	Greenhouse gas third-party assurance expenses	31.9	31.9	31.9
	Total	49.2	50.4	50.0

#### Economic Results Distribution

Category	Unit	2018	2019	2020
Dividends to shareholders (Dividend)		8,336	8,336	10,259
Total tax paid to government (corporate tax)		9,802	10,845	17,098
Total amount provided to employees (labor expense and welfare expense)		287,573	290,925	284,999
Amount purchased from suppliers	KRW million	595,961	577,945	565,122
Amount invested in community		231	231	335
Bond surface rate provided		15,257	16,221	16,167
Total economic results distributed		917,160	904,503	893,980

\* According to Separate Financial Statements

### Governance

#### Business Site Corruption Risk Assessment

Category	Unit	2018	2019	2020
Total number of business sites		37	37	36
Number of target business sites of corruption risk assessment	Site	0	37	36
Ratio of target business sites of corruption risk assessment	%	0	100	100

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

#### Confirmed Corruption Cases and Unfair Trade Act and Countermeasures

Category	Unit	2018	2019	2020
Number of corruption cases	Case	0	0	0
Number of workers who have taken training	Anti-corruption education	0	1,386	1,125
	Other (new employee training, group code of conduct training)	54	82	770
	Total	54	1,468	1,895

#### Notice and Training of Anti-Corruption Policy and Procedure

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

Category	Unit	2018	2019	2020
Number of governance (BOD) members		9	9	8
Number of governance members who have taken anti-corruption training	Person	0	0	0
Ratio of governance members who have taken training	%	0	0	0

## Major ESG Outcomes

### Society

#### Status of Employees

Category		Unit	2018	2019	2020
Total number of employees			4,958	4,623	4,340
Number of employees	Male	Person	3,093	2,853	2,709
	Female		1,865	1,770	1,631
	Total		4,958	4,623	4,340
Permanent employee status	Male	Person	2,984	2,820	2,691
	Female		1,452	1,389	1,354
	Total		4,436	4,209	4,045
Ratio	Male	%	60.2	61.0	62.0
	Female		29.3	30.0	31.2
	Total		89.5	91.0	93.2
Contract employee status	Male	Person	109	33	18
	Female		413	381	277
	Total		522	414	295
Ratio	Male	%	2.2	0.7	0.4
	Female		8.3	8.2	6.4
	Total		10.5	9	6.8
Supporting	Male	Person	245	232	225
	Female		102	101	98
	Total		347	333	323
By business division	Male	Person	1,839	1,528	1,450
	Female		1,111	994	893
	Total		2,950	2,522	2,343
Production	Male	Person	1,009	1,093	1,034
	Female		652	675	640
	Total		1,661	1,768	1,674
Under 30	Male	Person	480	367	279
	Female		435	299	239
	Subtotal		915	666	518
31~50	Male	Person	2,171	1,993	1,870
	Female		1,291	1,320	1,230
	Subtotal		3,462	3,313	3,100
Over 50	Male	Person	442	493	560
	Female		139	151	162
	Subtotal		581	644	722
Total			4,958	4,623	4,340

#### Status of Employees

Category		Unit	2018	2019	2020
Total number of resident employees			35	33	30
Gender	Male	Person	35	33	30
	Female		-	-	-
Position	Executive	Person	6	7	6
	Senior position or higher		29	26	24
Age	Assistant manager or lower	Person	-	-	-
	Under 30		-	-	-
	31~50		30	29	27
	Over 51		5	4	3

#### New recruitment status

Category		Unit	2018	2019	2020
Male	Permanent employee	Person	398	202	116
	Non-permanent employee		9	2	-
	Part-time worker		498	295	242
Total		905	499	358	
Female	Permanent employee	Person	113	138	38
	Non-permanent employee		196	207	113
	Part-time worker		1,795	1,243	803
Total		2,104	1,588	954	
Total	Permanent employee	Person	511	340	154
	Non-permanent employee		205	209	113
	Part-time worker		2,293	1,538	1,045
Total		3,009	2,087	1,312	

#### Local employment status

Category		Unit	2018	2019	2020
By region	America	Person	0	0	0
	Europe		438	477	492
	Asia (excluding Korea)		10,387	10,195	9,444
	Middle East		4	3	3
	Africa		0	0	0
	Total		10,829	10,675	9,939

## Major ESG Outcomes

### Society

#### Employment contract status of overseas corporation by country

Category	Unit	2018	2019	2020
Republic of Korea	Regular worker	4,436	4,209	4,045
	Contract worker	522	414	295
	Total	4,958	4,623	4,340
China	Regular worker	69	80	73
	Contract worker	72	77	62
	Total	141	157	135
Russia	Regular worker	186	200	226
	Contract worker	29	62	72
	Total	215	262	298
Myanmar	Regular worker	1,551	1,563	1,517
	Contract worker	2	32	21
	Total	1,553	1,595	1,538
India	Regular worker	1,755	1,733	1,502
	Contract worker	411	579	266
	Total	2,166	2,312	1,768
Pakistan	Regular worker	563	523	502
	Contract worker	1,617	1,446	1,330
	Total	2,180	1,969	1,832
Kazakhstan	Regular worker	4,341	4,156	4,160
	Contract worker	0	0	0
	Total	4,341	4,156	4,160
Belgium	Regular worker	219	211	194
	Contract worker	4	4	0
	Total	223	215	194
Singapore	Regular worker	6	5	10
	Contract worker	0	1	1
	Total	6	6	11
Others (Dubai Office)	Regular worker	1	1	1
	Contract worker	3	2	2
	Total	4	3	3

#### Diversity of employees

Category	Unit	2018	2019	2020
Ratio of female employees		37.6	38.3	38
	Female	157(83)	140(64)	60
	Male	502	442	409
	Total	659(585)	582(506)	469
Manager status*	Ratio	23.8(14.2)	24.1(12.6)	12.8
	Female	2	2	1
	Male	36	37	33
	Total	38	39	34
Executive status	Ratio	5.3	5.1	2.9
	Female	1,727	1,609	1,465
	Male	2,803	2,539	2,383
	Total	4,530	4,148	3,848
Status of women in profit-making organization	Ratio	38.1	38.8	38.1
	Ratio of women in BOD	0.0	0.0	0.0
	Number of persons employed	141	150	148
Disabled persons**	Employment rate	2.8	3.1	3.3
	Number	37	34	33
Veterans	Ratio	0.75	0.74	0.76

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

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

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

#### Turnover status

Category	Unit	2018	2019	2020
By gender	Male	350	366	227
	Female	300	254	247
	Total	650	620	474
By age	Under 30	182	170	106
	31~50	415	396	322
	Over 50	53	54	46
	Total	650	620	474

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

## Major ESG Outcomes

### Society

#### Paternal Leave

Category	Unit	2018	2019	2020
Number of employees with paternal leave rights	Male	845	814	754
	Female	256	229	207
	Total	1,101	1,043	961
Number of employees who received paternal leave	Male	86	84	45
	Female	81	42	49
	Total	167	126	94
Number of employees who returned after paternal leave	Male	68	76	42
	Female	10	28	46
	Total	78	104	88
Number of employees who worked for 12 months or longer after returning from paternal leave	Male	60	65	33
	Female	9	23	31
	Total	69	88	64
Work return rate after using paternal leave	%	46.7	82.5	93.6
Ratio of returners who worked for 12 months or longer*	%	90.0	88.5	84.6

\* (Number of employees working for more than 1 year / number of employees returning from parental leave previous year) × 100

#### Education

Category	Unit	2018	2019	2020
No. of employees who attended educational programs	Total Person	39,469	37,470	24,722
Total hours of education	Total Hours	145,214	139,770	51,764
Education expenditure	KRW million	2,558	2,663	1,508
Educational expense per person	KRW million / person	0.72	0.78	0.46

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

#### Labor Union and Collective Agreement

Category	Unit	2018	2019	2020	
Collective agreement	Number of applicable subjects of labor union	Person	3,155	3,148	3,095
	Total number of labor union members		1,717	1,719	1,697
	Ratio	%	54	55	55

#### Evaluation and Compensation

Category	Unit	2018	2019	2020		
New employees*	Male (starting salary)	KRW	36,174,560	37,129,790	37,253,770	
	Ratio to total number of employees	%	103.6	103.6	101.8	
	Female (starting salary)	KRW	34,928,720	35,852,420	36,603,595	
	Ratio to total number of employees	%	96.6	96.6	98.3	
Employee remuneration status	Person	Total	3,093	2,853	2,709	
		Male	Total amount	173,285,585,532	172,313,571,381	171,627,449,627
		Per person	56,025,084	60,397,326	63,354,540	
	Total	Female	Total amount	64,862,752,497	64,587,954,254	63,401,843,185
		Per person	34,778,955	36,490,369	38,872,987	
	Total	Person	4,958	4,623	4,340	
		Total amount	238,148,338,029	236,901,525,635	235,029,292,812	
		Per person	48,033,146	51,244,111	54,154,214	
Retirement pension operation status	DB	Number of persons	Person	3,641	3,569	3,321
		Amount reserved	KRW 100 million	1,030	1,203	1,213
	DC	Number of persons	Person	775	786	853
		Amount reserved	KRW 100 million	24	40	43
Workers who received periodic performance appraisal	Gender	Male	Person	2,644	2,589	2,514
		Female	Person	856	871	824
		Total		3,500	3,460	3,338
	Total ratio	Ratio of male	%	85.5	90.7	92.8
		Ratio of female	%	45.9	49.2	50.5
		Total ratio		71	75	77
Employment type	Person	Regular worker	3,494	3,456	3,336	
		Contract worker	6	4	2	
	Total	3,500	3,460	3,338		
	%	Regular worker ratio	78.8	82.1	82.5	
Contract worker ratio		1.1	1	0.7		
Total ratio		71	75	77		

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

## Major ESG Outcomes

### Society

#### Supply Chain Support

Category		Unit	2018	2019	2020
Support on suppliers	Fund	KRW million	22,000	27,000	27,000
	Technology	Case	36	35	26
	Supplier's total		595,961	577,945	565,122
Amount purchased	SMEs	KRW million	147,775	145,631	147,920
	Social enterprises		0	0	0
Ratio of suppliers that received sustainability assessment		%	0	0	0
Number of suppliers screened negatively due to sustainability assessment		EA	0	0	0

#### Safety and Health

Category		Unit	2018	2019	2020
Industrial accident rate		%	0.12	0.15	0.28
LTIFR*	Employees		0.64	0.75	1.28
	Hours	Hours	40,562	40,578	39,660
Safety and health education	Number of persons completed	Person	2,683	2,687	2,661
	Completed hours per person	Hours/person	15	15	15

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

#### Ethical Management

Category		Unit	2018	2019	2020
Compliance program (CP) education	Number of persons completed		65	117	86
Subcontracting Act education	Number of persons completed	Person	45	229	-
Total education	Number of persons completed		110	346	86
	Violation of fair trading		0	0	0
	Violation of Subcontract Act		0	0	0
Violation of laws	Number of reports of ethics violations	Case	3	5	0
	Number of measures taken from the report of ethical violations.		3	5	0
	Percentage of reports that led to measures taken	%	100	100	100

#### Human Rights Management

Category		Unit	2018	2019	2020
Sexual harassment prevention education	Hours	Hours	5,085	4,522	4,353
	Number of persons completed	Person	5,085	4,522	4,353
	Completed hours per person	Hours/person	1	1	1
Disability awareness improvement education	Hours	Hours	5,064	4,628	4,502
	Number of persons completed	Person	5,064	4,628	4,502
	Completed hours per person	Hours/person	1	1	1
Workplace bullying prevention education	Hours	Hours	0	3,897	3,632
	Number of persons completed	Person	0	3,897	3,632
	Completed hours per person	Hours/person	0	1	1
Total education	Hours	Hours	10,149	13,047	12,487
	Number of persons completed	Person	10,149	13,047	12,487
	Completed hours per person	Hours/person	1	1	1
Violation of laws	Number of human rights VOC received		3	4	5
	Number of human rights VOC handled	Case	3	4	5
	Ratio of human rights VOC handled	%	100	100	100
	Number of human rights lawsuits	Case	0	0	0

#### Social Contributions

Category	Unit	2018	2019	2020	Remarks
Charitable donations		7,964,731,913	9,170,080,031	5,710,069,490	Donation of cash and products
Community investment	KRW	230,939,079	231,313,594	334,863,321	Building welfare centers for local children (Sweet Home / Sweet School)
Commercial initiative		2,377,860,147	2,039,803,580	1,587,874,823	Sponsorship of sports associations, operation of experience center, etc.
<b>Total</b>		<b>10,573,531,139</b>	<b>11,441,197,205</b>	<b>7,632,807,634</b>	

## Major ESG Outcomes

### Environment

#### Environmental Management

Category		Unit	2018	2019	2020
Violation of environmental laws	Number of violations	Case	0	1	1
	Number of business sites certified with ISO14001	Place	8	8	7
	Total number of business sites		8	8	7
Environmental management and eco-friendly product certification	Ratio of business sites certified with ISO14001	%	100	100	100
	Eco-Label products	EA	0	0	0
	Low-carbon products		0	0	0
	Excellent recycling products		0	0	0
	Others		0	0	0
Eco-friendly procurement	Amount of eco-friendly purchase	KRW million	0	0	1,336
	Total purchase		595,961	577,945	565,122
	Ratio	%	0.0	0.0	0.2

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

#### GHG

Category		Unit	2018	2019	2020
Production quantity		Ton	212,745	198,527	197,474
Scope 1 (direct emissions)	Emissions	tCO <sub>2</sub> -eq	38,880	36,532	34,264
Scope 2 (indirect emissions)	Emissions	tCO <sub>2</sub> -eq	87,503	86,339	88,459
Total emissions of reporting organization (Scope 1+2)	Emissions	tCO <sub>2</sub> -eq	126,383	122,871	122,723
Total emissions of reporting organization (Scope 1+2)	Intensity	tCO <sub>2</sub> -eq/product ton	0.59	0.62	0.62

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

#### Energy Usage

Category		Unit	2018	2019	2020
Power		MWh	184,873	182,227	186,203
Gasoline		KL	301	299	280
Diesel			4,079	3,438	3,228
Gas (LNG/CNG)		1,000Nm <sup>3</sup>	11,407	11,206	10,509
Steam		TJ	140	154	162
Propane		Ton	679	617	563
Total		TOE	58,809	57,342	57,266
		TJ	2,528	2,489	2,496
Intensity		TJ/product ton	0.012	0.013	0.013

#### Amount of raw and side materials used

Category	Unit	2018	2019	2020
Amount of raw and side materials used (70% cumulative mass or higher)	Ton	122,294	129,299	118,224

#### Pollutants

Category		Unit	2018	2019	2020
Chemical emissions*			-	-	39.715
	Biochemical oxygen demand (BOD)		14.921	7.527	4.846
	Chemical oxygen demand (COD)		40.897	20.960	20.186
Water pollutant emissions	Suspensions (SS)		31.240	11.191	12.814
	Total nitrogen (T-N)		6.653	8.293	3.711
	Total phosphorous (T-P)	Ton	1.584	1.673	0.995
	Total		95.295	49.644	42.553
	Dust (PM)		1.098	0.485	0.362
Air pollutant emissions	Sulfur oxides (SOx)		0.030	0.010	0.014
	Nitrogen oxides (NOx)		15.880	9.640	10.314
	Total		17.008	10.135	10.689

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

#### Water

Category		Unit	2018	2019	2020
Amount of water used	Total	Ton	1,355,428	1,335,215	2,221,804
	Intensity	Ton/product ton	6.371	6.726	11.251
Amount of water reused	Total amount of recycled water	Ton	0	0	0
	Water recycling rate	%	0	0	0

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

#### Waste

Category		Unit	2018	2019	2020
Designated wastes	Subtotal		90	152	101
General wastes	Subtotal	Ton	15,566	16,864	16,322
Total wastes (general+designated)			15,656	17,016	16,423
Amount of wastes recycled			11,410	15,570	12,279
Recycling rate		%	73	92	75
Intensity (general+designated)		Ton/product ton	0.07	0.09	0.08

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

## GRI Standards Index

### Universal Standards (GRI 100)

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GRI 102 : General Disclosure	Reporting Practice	102-51	Date of most recent report	-	Report released for the first time
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### Economic Performance (GRI 200)

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### Environmental Performance (GRI 300)

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## GRI Standards Index

### Environmental Performance (GRI 300)

TOPIC	No.	Disclosure	Page	Remarks
GRI 305 : Emissions	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	34, 36	
	305-1	Direct (Scope 1) GHG emissions	34	
	305-2	Energy indirect (Scope 2) GHG emissions	34	
	305-5	Reduction of GHG emissions	35	
	305-6	Emissions of ozone-depleting substances (ODS)	36	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	36-37	
	GRI 306 : Effluents and Waste	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	37
306-1		Waste generation and significant waste-related impacts	37	
306-2		Management of significant waste-related impacts	37	
306-3		Waste generated	37	
306-4		Waste diverted from disposal	37	
306-5		Waste directed to disposal	37	

### Social Performance (GRI 400)

TOPIC	No.	Disclosure	Page	Remarks
GRI 401 : Employment	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	48	
	401-1	New employee hires and employee turnover	48, 73	
	401-3	Parental leave	74	
GRI 403 : Occupational Health and Safety	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	44	
	403-1	Occupational health and safety management system	44	
	403-2	Hazard identification, risk assessment, and incident investigation	44	
GRI 404 : Training and Education	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	49	
	404-1	Average hours of training per year per employee	49	
	404-2	Programs for upgrading employee skills and transition assistance programs	49	
GRI 405 : Diversity and Equal opportunity	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	48	
	405-1	Diversity of governance bodies and employees	48	
GRI 413 : Local communities	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	53	
	413-1	Operations with local community engagement, impact assessments, and development programs	53-55	
GRI 416 : Customer Health and Safety	MA	GRI 103-1, 2, 3 Explanation of the material topic and its boundary, Management approach and its components, and Evaluation of the management approach	40	
	416-1	Assessment of the health and safety impacts of product and service categories	40	

## Greenhouse Gas Verification Statement

### Verification Statement on 2018~2020 Greenhouse Gas Emissions Report

#### Verification Target

Korean Foundation for Quality (hereinafter “KFQ”) has conducted the verification of the “Annual report on the greenhouse gas emissions” (hereinafter ‘Report’) for LOTTE CONFECTIONERY CO., LTD from 2018 to 2020.

#### Verification Scope

KFQ’s verification was focused on all the facilities which emitted greenhouse gas during the year of 2018~2020 under operational control and organizational boundary of LOTTE CONFECTIONERY CO., LTD. Direct and indirect sources of emissions (Scope 1, 2) were verified in accordance with the guidelines for reporting and certification of greenhouse gas emission trading systems (Ministry of Agriculture, Food and Rural Affairs Notice No. 2019-83), Guidelines for verification for the operation of the greenhouse gas emission trading system (Ministry of Environment Notice No. 2018-70), and the annual final monitoring plans registered in the national greenhouse gas management system.

#### Verification Procedure

The Verification was planned and conducted in accordance with the procedures stipulated in the guidelines for reporting and certification of emissions in the greenhouse gas emission trading system, and the guarantee level of verification was carried out to meet the reasonable guarantee level.

#### Verification Limitation

The verification includes detection errors that may occur due to the limitations of sampling because the sampling method was applied according to the verification plan recognized by the National Institute of Environmental Research.

#### Verification Opinions

Despite containing errors according to the above verification limits, the Report satisfies less than 5.0% of the importance criteria set in the verification guidelines. Therefore KFQ concludes the verification opinions for the Report as ‘appropriate’.

#### Greenhouse Gas Emissions of LOTTE CONFECTIONERY CO., LTD from 2018 to 2020

Greenhouse gas emissions (tCO <sub>2</sub> -eq)	2018	2019	2020	Total
Direct Emissions (Scope 1)	38,907.783	36,553.306	34,284.007	75,461.089
Indirect Emissions (Scope 2)	87,564.122	86,390.728	88,511.132	173,954.850
<b>Total Emissions (Scope 1+Scope 2)</b>	<b>126,383</b>	<b>122,871</b>	<b>122,723</b>	<b>249,254</b>

\* There are differences from the total value since the total emissions are cut to zero decimal places per workplace.

February 15<sup>th</sup>, 2022

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

*Ji Young Song*



# Third-Party Verification Statement

## To readers of 2020-2021 LOTTE Confectionery sustainability Report

### Introduction

Korea Management Registrar (KMR) was commissioned by LOTTE Confectionery to conduct an independent assurance of its Sustainability Report 2020-2021 (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of LOTTE Confectionery. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with LOTTE Confectionery and issue an assurance statement.

### Scope and Standards

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

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

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

As for the reporting boundary, the engagement excludes the data and information of LOTTE Confectionery's partners, suppliers and any third parties.

### KMR's Approach

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

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

### Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by LOTTE Confectionery to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such

as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

### Conclusion and Opinion

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

### Inclusivity

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

### Materiality

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

### Responsiveness

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

### Impact

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

### Reliability of Specific Sustainability Performance Information

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

### Competence and Independence

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

January 2022 Seoul, Korea

CEO E. J. Hwang



## Organizational Membership and Awards

### Organizational Membership

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

### Awards (2020~2021)

Name of Award		Name of Agency	Award Date
2021 it-Award	LOTTE Confectionery Nätuur	Korean Federation of Design Industry Associations	2021.12
1st Republic of Korea Good Donor Awards Award from Minister of Public Administration and Security	LOTTE Confectionery Sweet Dream	Ministry of Public Administration and Security	2021.12
2021 Korea Energy Awards Citation from Prime Minister	LOTTE Confectionery Yeongdeungpo Plant	Ministry of Public Administration and Security	2021.11
2022 Korea First Brand Awards in Colostrum Protein	LOTTE Health One	Korea Consumer Forum	2021.11
2021 Customer Trust No. 1 Premium Brand Red Ginseng	LOTTE Hwangjak	JoongAng Daily, Forbes	2021.8
2021 Customer Trust No. 1 Premium Brand Colostrum Protein	LOTTE Health One Colostrum Protein 365	JoongAng Daily, Forbes	2021.8
ESG Korea Awards Grand Award for Frontier		ESG Happy Economic Research Institute, Korea Sports Economy	2021.5
2021 Brand Loyalty Colostrum Protein	Colostrum Protein	Korea Consumer Forum	2021.4
2021 Asia Consumer Awards	Pepero	Asia Business Daily	2021.1
Korea Brand Awards Rising Brand	Air Baked	Korea Marketing Association	2020.11
2020 Employer of Disabled Persons	Sweet With	Certified as a company with excellent labor-management culture	2020.11
Citation for Contribution to Facilitation of Disabled Employment	Sweet With	Certified as a company with excellent labor-management culture	2020.7
IF Design Awards Main Award	Pepero	IF Design Awards	2020.2
Company with Excellent Labor-Management Culture		Ministry of Employment and Labor	2019 (maintaining)
Family-friendly Company		Certified as a family-friendly company	2019 (maintaining)

