



2023 LOTTE WELLFOOD Sustainability Report



# FOODMATE FOR SUSTAINABLE WELLNESS



# ABOUT THIS REPORT

LOTTE WELLFOOD is re-emerging as a general food company through mergers and renaming. In line with this new stature, we have published our fourth sustainability report to share our sustainability management activities, achievements, plans, and goals with our stakeholders. This report is composed of Part 1, which reports on material issues related to sustainability management based on our ESG strategy framework, and Part 2, which presents our climate change response strategy and financial impacts in accordance with IFRS S2 climate disclosure standards.

## REPORTING PERIOD

The company has been publishing its sustainability report annually since 2020. This report describes financial and non-financial activities and performances from January 1 to December 31, 2023, in a qualitative and quantitative ways. For some major pending issues, the period extends to the first half of 2024, and three-year quantitative performances on environment, society, and governance are presented for better understanding. Quantitative data for 2021 do not include the performances of the amalgamated corporation and are the same as the data disclosed through the existing LOTTE Confectionery's sustainability report. Also, consolidated and separate financial statements do not include the performances of the amalgamated corporation from January to June 2022.

## DATE OF PUBLICATION

June 2024

## REPORTING SCOPE

The scope of this report covers the ESG management activities and achievements of the headquarters in Seoul and 17 domestic factories (including 4 subsidiary factories) and financial data adheres to K-IFRS (Korean International Financial Reporting Standards). Some activities and achievements include overseas business sites and major suppliers.

## REPORTING PRINCIPLE

This report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards 2021, which are international reporting guidelines for sustainability management. Additionally, it applies the disclosure standards of the Sustainability Accounting Standards Board (SASB), which are tailored to industry-specific characteristics, and IFRS S2 climate-related disclosures. The reporting issues have been selected based on a materiality assessment conducted through stakeholder engagement and benchmarking of major issues within the industry both domestically and internationally.

## ASSURANCE

This report has been assured by Korea Standards Association (KSA), an independent assurance service provider, to ensure the accuracy and reliability of data. KSA, as a partner of AccountAbility, an international report verification agency, applied the process of AA1000AS v3 (2020) to conduct verification. Additionally, independent assurance of greenhouse gas emissions and energy consumption has been conducted by Korea Management Registrar (KMR). The Independent Assurance Statement is available in the Appendix section.

## INQUIRIES

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COVER  
STORY



The cover design incorporates the typography of LOTTE WELLFOOD's ESG vision slogan, "FOODMATE FOR SUSTAINABLE WELLNESS," combined with nature image to convey the message that "Wellness is achieved on the table with LOTTE WELLFOOD."

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#### INTERACTIVE USER GUIDE

The 2023 LOTTE WELLFOOD Sustainability Report was published as an interactive PDF with features such as navigation to related pages and links to related webpages. Users can quickly access specific topics and obtain a wider range of information through the hyperlink function.

# CEO MESSAGE

Dear stakeholders of LOTTE WELLFOOD, we are honored to present to you our fourth sustainability report. Following the merger of LOTTE CONFECTIONERY and LOTTE FOODS in 2022, 2023 has been a pivotal year for LOTTE WELLFOOD to make a significant stride as a general food company and expand business portfolio with our new company name.



Despite tough business environments such as prolonged Russia-Ukraine war, rising exchange rates, and increasing prices of key raw materials, LOTTE WELLFOOD achieved a significant milestone in 2023 by surpassing KRW 4 trillion in consolidated sales for the first time since our founding. This remarkable performance was mainly driven by realizing synergies in ice cream sector which had been overlapping business between both companies before the merger and strengthening market dominance of our local subsidiaries in regions such as India and Kazakhstan. Meanwhile, we have also realized that maintaining such steady growth and providing sustainable value to our stakeholders necessitates the critical importance of managing and responding to ESG risks, including climate change. To this end, LOTTE WELLFOOD is committed to practicing sustainable management activities as follows.

### First, we will minimize the environmental impact from our businesses and contribute to the transition to a low-carbon economy.

Since joining RE100 initiative in April 2023, LOTTE WELLFOOD has been investing in facilities to expand on-site renewable energy generation and exploring large-scale power purchase agreements with various renewable energy producers in consideration of the nature of our business. Moreover, we have been expanding the use of sustainably produced eco-friendly raw materials and packaging and plan to conduct life cycle impact assessments for key products.

### Second, we will pursue sustainability across our supply chain and society.

Starting in 2023, LOTTE WELLFOOD has initiated comprehensive ESG assessments and audits targeting key suppliers, marking a significant step towards managing ESG risks within our supply chain. The "Sustainable Supply Chain Policy" focused on strategies for managing major raw materials and suppliers was established to expand the scope of supply chain

management and enhance diagnostic indicators. Additionally, in our Health & Wellness category, we have launched new products such as "ZERO," "THE SALO," and "Easy Protein" to provide consumers with healthier options. Moving forward, we plan to expand our product lineup to include various attributes such as sugar-free, gluten-free, high-protein, and low-sodium options to meet diverse consumer needs.

### Third, we will further strengthen transparency and integrity in our corporate governance.

With the recognition that compliance with regulations and ethical management are fundamental to sustainable corporate operations, LOTTE WELLFOOD has been enhancing its compliance system based on the ISO 37301 standard for compliance management. Furthermore, to ensure that the supreme decision-making body makes sound and rational decisions, we are securing expertise and diversity within our board of directors, promoting active exchange of opinions. Various channels are in place to swiftly and transparently communicate key decision-making information



to shareholders and investors, through which we also listen to the voices of stakeholders.

It is anticipated that the future business environment will become even more challenging due to the occurrence of unpredictable issues and worsening impacts of climate change. However, LOTTE WELLFOOD will enhance stakeholder trust and cultivate new growth drivers by faithfully implementing the three commitments mentioned above. We kindly ask for your ongoing interest and support in LOTTE WELLFOOD's journey as we grow as a "Foodmate for Sustainable Wellness."

Thank you.

CEO of LOTTE WELLFOOD, Paul Yi

# ESG COMMITTEE CHAIRPERSON MESSAGE

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

I sincerely thank our dedicated employees who faithfully carry out their responsibilities for the company's growth, as well as stakeholders who continuously show their interest and support.



Thanks to the unwavering trust and support from all stakeholders, LOTTE WELLFOOD was able to take another leap forward in 2023 and contribute as a responsible member of society. To ensure this growth continues, our company is committed to realizing our vision of "Foodmate for Sustainable Wellness" and embodying core values such as "Wellness for Earth, Wellness for Society, and Wellness for Company."

Since its establishment in 2021, the ESG Committee at LOTTE WELLFOOD has been instrumental in formulating and executing corporate management strategies based on ESG principles. Comprised of members from the Board of Directors who are experts in their respective fields, the ESG Committee deliberates on and exchange professional opinions on significant company issues and agendas with working group, thereby leading the way in ESG management practices. As a decision-making body overseeing LOTTE WELLFOOD's sustainability management, the ESG Committee will actively respond to internal and external environmental changes and issues, leading balanced growth between corporate value and financial performance.

To proactively respond to rapidly changing social environments, the ESG Committee has appointed the senior non-executive director and non-executive directors specializing in risk management such as finance

and legal affairs, enhancing the committee's independence, expertise, and diversity. This will assist the ESG Committee in driving responsible ESG management by continually securing competitive opportunities for value creation and making timely and transparent decisions from the perspective of stakeholders.

Our fourth sustainability report provides stakeholders with information on LOTTE WELLFOOD's diverse ESG activities and achievements in 2023. With the responsibility as a company that manufactures food products that serve cultural roles beyond just functional roles like nutrition intake, we are proactive in expanding the use of eco-friendly packaging materials and establishing eco-friendly production infrastructure. Additionally, our company has made significant strides in the commercial vehicle sector among companies that declared the transition to emission-free vehicles, theory winning the Minister Award of Environment.



This report is expected to play a crucial role for LOTTE WELLFOOD in communicating with all stakeholders including consumers, investors, local communities, suppliers, and employees. LOTTE WELLFOOD is committed to striving not only to create economic value but also social and environmental value and fulfilling its role and responsibilities as corporate citizens. We hope you will join us on this journey.

Thank you.

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

# MAKE A WELL LIFE

LOTTE CONFECTIONERY, founded in 1967, has grown with the love and trust of its consumers. In 2022, the company reached a new milestone by merging with LOTTE FOODS, and in April 2023, it changed company name to "LOTTE WELLFOOD." The new name embodies the philosophy of its commitment to expanding beyond the confectionery industry to reach a broader market and provide products with sustainable value. Leveraging the extensive expertise and technology accumulated by the confectionery and food divisions over many years, LOTTE WELLFOOD will provide better food and a happier life to its consumers.

## Global Business Expansion

# EXPANDING FOR TOMORROW

LOTTE WELLFOOD has subsidiaries in eight countries, including developing nations with high economic growth rates, and is expanding its global business based on them. By streamlining overseas operations in the ice cream sector, which was a common business area for both LOTTE CONFECTIONERY and LOTTE FOODS and leveraging the existing sales networks of the confectionery division in these countries, the company is steadily increasing its client base in the food business and reaching more global consumers. In the short term, we plan to expand our market share by building new production lines and factories for dried and frozen products, mainly in India, where we are already present. At the same time, in the mid-to-long term, we will consider entering new markets such as North America and Western Europe through M&A and JVs.

Through the merger, LOTTE WELLFOOD has expanded its business scope and integrated its infrastructure, enabling it to increase the opportunities for global market expansion and investment in new businesses. By organically connecting LOTTE CONFECTIONERY's global sales network with LOTTE FOODS' expertise in the food business, it is expected to create synergistic effects, such as the growth of local subsidiaries across the globe and the expansion of food product exports. Additionally, LOTTE WELLFOOD is investing in future food businesses, which will be new growth drivers, to shape itself as a sustainable food company.



Integration of export lines and expansion of sales networks



Expansion of export items through unification of ice cream export networks within 10 countries

Overseas ice cream sales growth compared to 2022

109.4% up

Expansion of overseas business partners in the food division (Canned ham, cooking oil, juice, etc.)

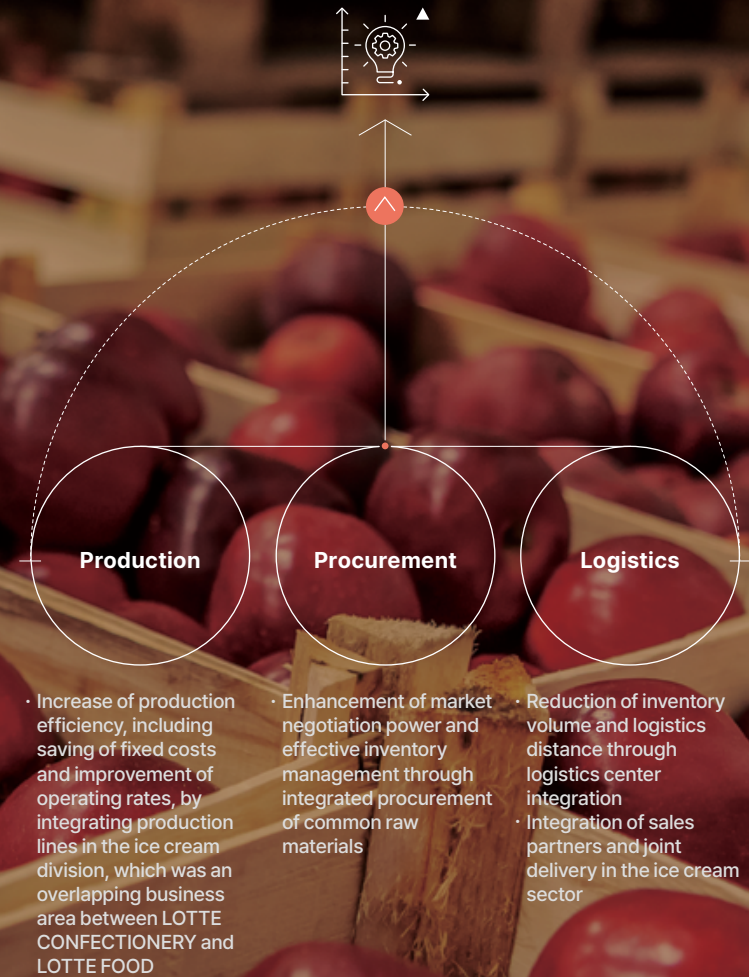
Sales growth in the food division compared to 2022

84.8% up

## Synergy Creation

# SYNERGY FOR TOMORROW

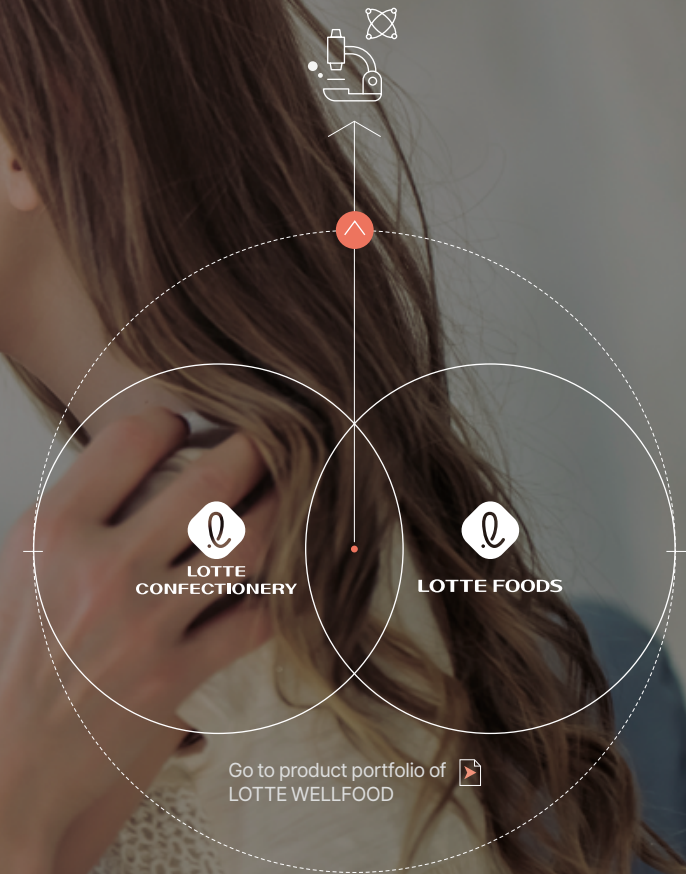
Since the merger, LOTTE WELLFOOD has been actively promoting the integration and optimization of its production, procurement, and logistics systems. Through these efforts, the company is achieving synergistic effects such as securing market competitiveness for its products and brands, reducing costs, and enhancing customer value. By strengthening its integrated business system, LOTTE WELLFOOD aims to solidify a sustainable growth foundation and provide greater value to its customers.



## Enhancement of Value

# VALUE FOR TOMORROW

LOTTE WELLFOOD has expanded its product portfolio spanning the consumer lifespan, from infants to middle-aged adults, providing customers with quality, nutritious, and health-oriented products. We will cultivate the Health & Wellness brand across our product portfolio to ensure that consumers can enjoy our products with peace of mind and expand the range of products to meet the diverse needs of segmented customers. Moreover, the company is committed to increasing shareholder value by strengthening communication with shareholders and investors and expanding the dividend payout ratio to over 30%.



# COMPANY OVERVIEW

With the merger of Lotte Confectionery and Lotte Foods and the launch of new company name, LOTTE WELLFOOD is shaping itself as a general food company beyond a domestic confectionery industry leader. By continuously developing new products and researching future food technologies, we will expand our business portfolio and lead the way in promoting a healthy food culture.

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# COMPANY OVERVIEW

## Company Profile

With the merger of Lotte Confectionery and Lotte Foods and the launch of new company name, LOTTE WELLFOOD is shaping itself as a global food company beyond a domestic confectionery industry leader. By continuously developing new products and researching future food technologies, we will expand our business portfolio and lead the way in promoting a healthy food culture. With core values of "Wholesome, Health & Wellness," "Fun & Joy, Happiness," "New & Innovation," and "Lifetime & Sustainability," LOTTE WELLFOOD aims to provide high-quality products for a healthier and better life, creating value beyond just food.

### Finance Status (Unit: KRW in millions)

Classification	Separate			Consolidated		
	2021	2022	2023	2021	2022	2023
Sales	1,546,374	2,443,855	3,300,752	2,145,407	3,203,264	4,066,392
Operating profit	82,693	80,898	130,507	108,471	112,385	177,018
Net profit	30,359	18,708	59,492	36,349	43,880	67,771
Equity	1,247,780	2,021,849	2,039,524	1,326,972	2,111,631	2,142,637
Assets	2,330,671	3,758,489	3,835,009	2,666,649	4,105,259	4,199,096

\* Business performance from January to June 2022 of the merged corporation is not included.

<p>Company Name</p> <p><b>LOTTE WELLFOOD CO., LTD.</b></p>	<p>Date of Establishment</p> <p>April 3, 1967 (Spin-off on October 1, 2017)</p>	<p>CEO</p> <p><b>Paul Yi</b></p>
<p>Headquarters</p> <p>10, Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul</p>	<p>Major Business</p> <p>Manufacturing and sale of chewing gum, confectionery, ice cream, fat, dairy products, processed meat, foods, etc.</p>	<p>Sales</p> <p><b>KRW 3,300.7 billion</b></p>
<p>Operating Profit</p> <p><b>KRW 130.5 billion</b></p>	<p>Number of Employees</p> <p><b>6,694 persons</b></p>	<p>Credit Rating</p> <p><b>AA</b></p>

\* As of December 2023

# COMPANY OVERVIEW

## ESG Performances & Awards

Since its establishment in 1967, LOTTE WELLFOOD has been practicing ESG management, including environmental stewardship, shared growth, and compliance, to provide better food products and a happier life. We are committed to leading the creation of a healthy food culture through continuous innovation.

# 2021 — 2022 — 2023 & 24

- Jul.** Declared "Sweet ESG Management" (LOTTE CONFECTIONERY)
- Aug.** Established the ESG Committee within the BOD
- Dec.** Won the Good Korean Donor Award and Minister Award of Public Administration and Security



- Jan.** Published the first sustainability report (LOTTE CONFECTIONERY)
- Jun.** Launched sugar-free snack brand ZERO
- Jul.** Merged LOTTE CONFECTIONERY and LOTTE FOOD
- Aug.** Achieved 100 cumulative treatments on Dr. Xylitol Bus
- Sep.** Acquired "Environmental Product Declaration" for Kokkal Corn (savory flavor 67g)
- Dec.** Established the charter of safety management, charter of environmental management, and code of conduct for suppliers
- Dec.** Won a government award for sustainability management and a commendation from the Minister of Trade, Industry and Energy

- Mar.** Won the Minister Award of Environment Award for excellent company in EV100 (Electric Vehicle 100%) initiative practice
- Apr.** Changed company name (LOTTE CONFECTIONERY to LOTTE WELLFOOD)
- Apr.** Joined the Global RE 100 initiatives
- Apr.** Applied eco-friendly plastic to 13 types of sandwich containers
- Sep.** Conducted ESG audit and due diligence on suppliers
- Dec.** Completed the open innovation challenge in collaboration with Busan Creative Economy & Innovation Center
- Jan. 2024** Received a commendation for excellence in safety management campaign from Seoul Regional Employment and Labor Office

# COMPANY OVERVIEW

## Brand Vision & Business Strategy System

LOTTE WELLFOOD strives to provide delicious, fresh, and nutritious products to consumers around the world to realize the value of "LOTTE, for better food & happier life." By practicing ESG management based on core values and strategies in environmental, social, and economic areas, the company will create future value and achieve sustainable growth.



# BUSINESS OVERVIEW

## Product Portfolio of LOTTE WELLFOOD



# CONFECTIONERY BUSINESS

## CONFECTIONERY BUSINESS

LOTTE WELLFOOD's confectionery business, which includes snacks, ice cream, and bakery products, boasts a wide array of beloved brands that are cherished by all generations, accompanying consumers during their joyful moments. We will continue to develop new products that consider health and individual preferences to provide consumers with a broader range of value.



### Major Brands

- Pepero** "Play Together, Share Pepero!" The chocolate stick snack Pepero, which offers a variety of flavors, serves as a bridge connecting hearts of people and has become a beloved brand in over 50 countries worldwide.
- Ghana** "A piece that delivers softness to the heart." Ghana is Korea's leading dessert chocolate brand, made from high-quality Ghanaian cacao and unique BTC (Better Taste & Color Treatment) process in Korea.
- Xylitol** Inspired by Finland's healthy dental care habits, LOTTE WELLFOOD's flagship gum brand holds over 80% of the domestic gum market. Containing 100% Finnish xylitol, it helps everyone maintain healthy teeth.
- Kokkal Corn** Kokkal Corn, the number one corn snack brand in Korea, delivers a delicious crunch that pleases the senses. Its rich corn flavor brings joy to all consumers.
- World Cone** For over 20 years, World Cone has been the best-selling corn ice cream in Korea. It uses vanilla flavor from Madagascar with RA certification, pursuing sustainable value together.
- Snow Ice** Since its first launch in 2003, Snow Ice has been a beloved pouch-type soft ice cream.
- Crunch Bar** Celebrating its 40th anniversary, Crunch Bar is an ice cream that can be enjoyed by people of all ages.

# BUSINESS OVERVIEW



# FOOD B2C BUSINESS

## FOOD B2C BUSINESS

LOTTE WELLFOOD's food B2C business offers a wide range of product categories that span the entire lifecycle, providing diverse products to meet consumers' needs. The company continues to invest in research and development to evolve into a general food company that satisfies the tastes of people worldwide, beyond just the domestic market.



### Major Brands

**Pasteur** **Pasteur Milk:** We select and manage only grade A1 standard raw milk from dedicated farms. It is processed through the low-temperature pasteurization method at 63°C for 30 minutes, the first in Korea. This process minimizes denaturation of proteins and calcium, preserving the natural health benefits. Pasteur leverages its quality technology to offer dairy products that cater to consumer health and lifestyle considerations.

**With Mom:** As a specialized baby food brand created with mothers' hearts to support children's healthy growth, With Mom provides comprehensive solutions considering the recent childbirth environment and the stages of child development.

**Uiseong Garlic Ham** Uiseong Garlic Ham is the top brand in the sliced ham and frankfurter market, offering a perfect balance of Uiseong garlic and pork for both taste and nutrition. Through an MOU with Uiseong-gun, we purchase an average of 1.2 million tons of garlic annually, contributing to local economic stimulation. Recognized for its excellent quality, Uiseong Garlic Ham received the Gold Award at the 2023 DLG International Food Quality Evaluation.

**Chefood** Chefood is a comprehensive HMR (Home Meal Replacement) and frozen food brand that allows everyone to enjoy chef-quality delicious meals anytime, anywhere. We have been launching products using a variety of ingredients that reflect consumer convenience and food & beverage trends. Our flagship ready-to-eat products include 2-minute cup spaghetti, pork loin cutlet, dumplings, and flavorful cooking kits. Additionally, our instant convenience foods encompass boxed meals, sandwiches, triangular kimbap, and more.

# BUSINESS OVERVIEW



## FOOD B2B BUSINESS

LOTTE WELLFOOD's B2B business produces ingredients (edible oils, shortenings, margarines, butter, whipping cream), materials (flavors, colors, seasonings, nuts, chocolates), and food supplies (coffee, sauces, canned goods). Those are provided to major food companies and numerous food and beverage outlets across the nation. By expanding the purchase of sustainably certified raw materials and establishing a resource recycling system, we will strengthen our sustainable business portfolio.



### Major Brands

**Delga** Delga, a specialized food ingredient brand, positions itself as the core partner for operators in the food service by providing a range of products optimized for food service. It is solidifying its dominance as the go-to brand for food sector experts seeking high-quality food ingredients.

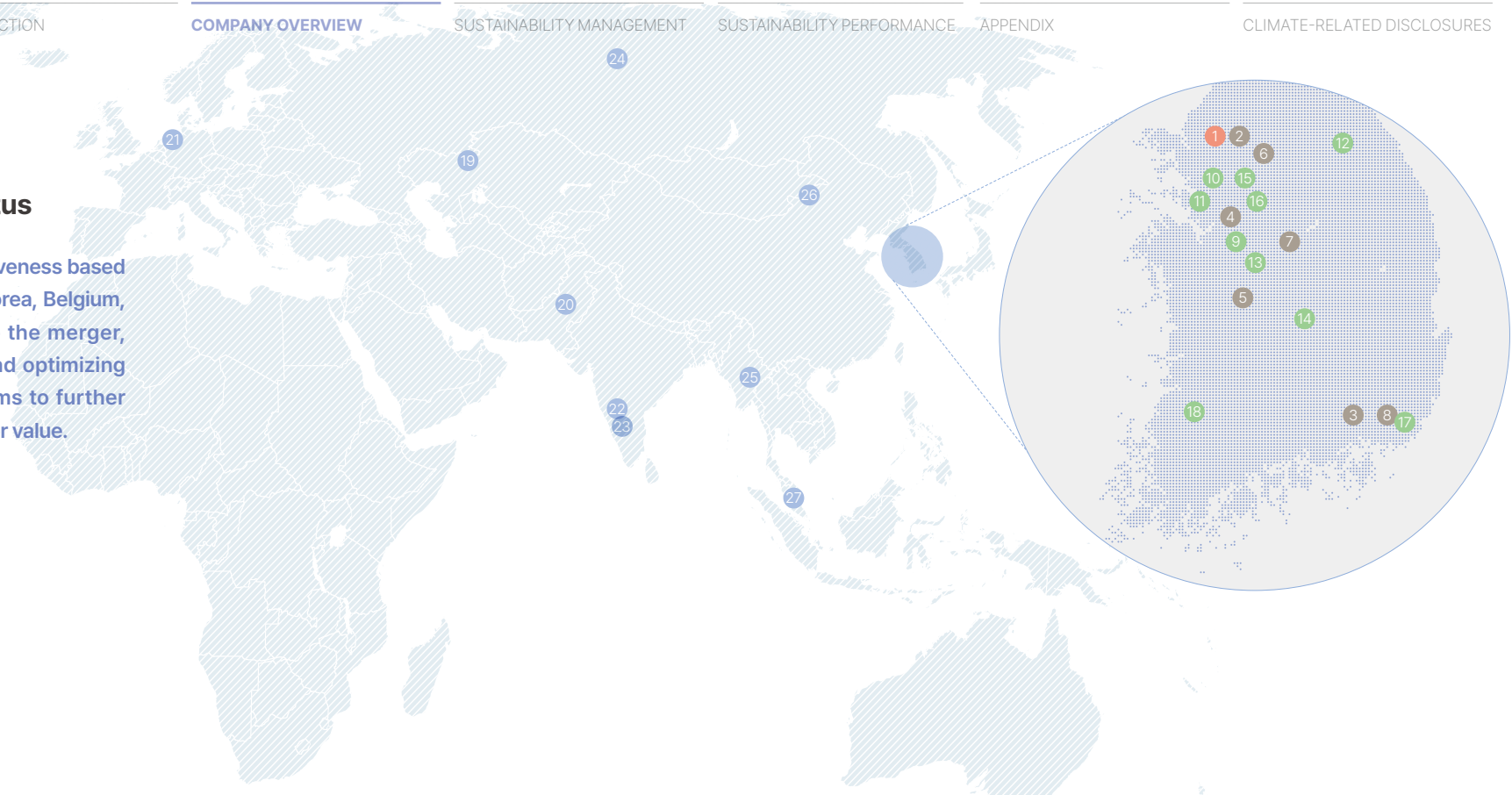
**Battera** Battera, which means "Baker's terra," is a specialized edible oil brand for the confectionery and bakery businesses. It produces valuable products that actively incorporate customer feedback.

# FOOD B2B BUSINESS

# BUSINESS OVERVIEW

## Domestic and Overseas Business Status

LOTTE WELLFOOD is enhancing its global competitiveness based on business networks in nine countries including Korea, Belgium, Kazakhstan, India, Russia, and Singapore. Since the merger, the company has been focusing on integrating and optimizing its production, procurement, and logistics systems to further enhance market competitiveness as well as customer value.



### Domestic Sites

<b>Head Office</b> ①	
<b>Confectionery Sector</b>	
	Yeongdeungpo Plant (gum, candy, chocolate, ice cream) ②
	Yangsan Plant (biscuits, pies, chocolate, ice cream) ③
	Pyeongtaek Plant (snacks, candy, biscuits, chocolate) ④
	Daejeon Plant (biscuits, snacks, pies, chocolate, ice cream) ⑤
	Suwon Plant (snacks, bakery) ⑥
	Jeongpyeong Plant (bakery) ⑦
	Busan Plant (bakery) ⑧

<b>Food Sector</b>	
	Cheonan Plant (food, ice cream, processed oil) ⑨
	Ansan Plant (flavors, food additives, chocolate, processed agricultural products) ⑩
	Poseung Plant (coffee beans) ⑪
	Hoengseong Plant (milk, powdered milk, fermented milk) ⑫
	Cheongju Plant (refrigerated ham, frozen food) ⑬
	Gimcheon Plant (canned ham, frozen food, refrigerated ham, meat) ⑭
	Yongin Delica No. 1 (kimbap, lunch box, sandwich, hamburger) ⑮
	Pyeongtaek Delica No. 2 (kimbap, sandwich, hamburger, salad, noodles, convenience food) ⑯
	Busan Delica No. 3 (kimbap, lunch box, sandwich, hamburger) ⑰
	Gwangju Delica No. 4 (kimbap, lunch box, sandwich, hamburger) ⑱

### Overseas Sites

<b>Local Subsidiary</b>	
	LOTTE Rakhat JSC, Kazakhstan (3 factories / chocolate, candy, biscuits) ⑲
	LOTTE Kolson (Pvt) Ltd, Pakistan (6 factories/snacks, biscuits, pies, pasta) ⑳
	Chocolaterie Guylian N.V., Belgium (1 factory / chocolate) ㉑
	LOTTE India Co., Ltd, India (3 factories / pies, candy, gum) ㉒
	Havmor Ice Cream Pvt. Ltd, India (3 factories / ice cream) ㉓
	LOTTE Confectionery RUS LLC, Russia (1 factory / pies, candy) ㉔
	L&M Mayson Company Limited, Myanmar (3 factories / biscuits, cakes, mass-produced bakery) ㉕
	LOTTE QINGDAO FOODS CO., Ltd, China (1 factory / pies, biscuits, chocolate) ㉖
	LOTTE Confectionery (S.E.A) Pte. Ltd., Singapore (Sales Corporation) ㉗

\* Chinese subsidiary suspended production activities in December 2022, and sale of business is underway.

# SUSTAINABILITY MANAGEMENT

LOTTE WELLFOOD endeavors to realize social value by developing environmentally friendly products through sustainable production methods, while securing transparent and efficient governance. Through these efforts, we provide consumers with healthy and safe food choices.

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# SUSTAINABILITY OVERVIEW

## ESG Promotion System

# FOODMATE FOR SUSTAINABLE WELLNESS

The increasing frequency of abnormal weather conditions is causing significant impacts not only on crop harvesting and quality assurance but also on safety and productivity in the fishing industry. As a result, responding to climate change and practicing the values of ESG management have become increasingly important. In response, LOTTE WELLFOOD endeavors to realize social value by developing environmentally friendly products through sustainable production methods, while securing transparent and efficient governance. Through these efforts, we provide consumers with healthy and safe food choices.

LOTTE WELLFOOD has been advancing as a global food company with the merger in 2022 as a momentum. We are committed to innovating our products to deliver the value of happiness and health to consumers worldwide, thereby supplying delicious, fresh, and nutritionally rich products to achieve the value of "Wellness." We strive to become a foodmate dedicated to sustainable wellness.



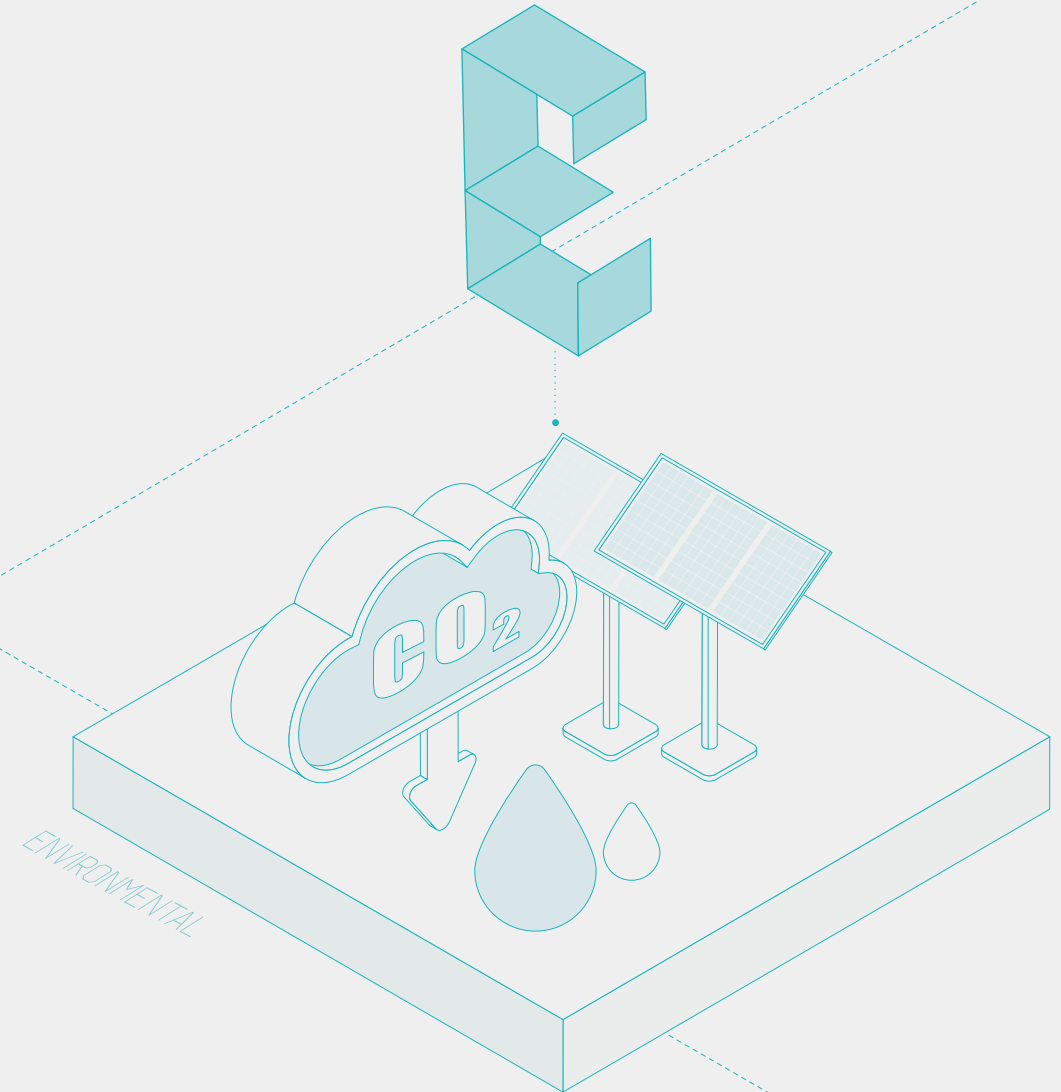
## SUSTAINABILITY OVERVIEW

Wellness for Earth

# WELLNESS FOR ENVIRONMENT

As a global food company, LOTTE WELLFOOD prioritizes environmental sustainability and customer health across the entire value chain, from raw material sourcing to product manufacturing, distribution, and consumption. We are committed to fulfilling our responsibilities and roles in minimizing negative impacts on the environment and future generations.

Environmental management that emphasizes climate change response and biodiversity has now become a crucial factor influencing a company's competitiveness. LOTTE WELLFOOD has set the "2040 Net Zero" goal and is implementing strategies of "establishing a circular economy," "enhancing water resource management," and "protecting ecosystems" with the aim of becoming a leader in environmental management in the industry. We will do our best to achieve our ESG mission of becoming "a general food company creating a sustainable world through righteous corporate activities."



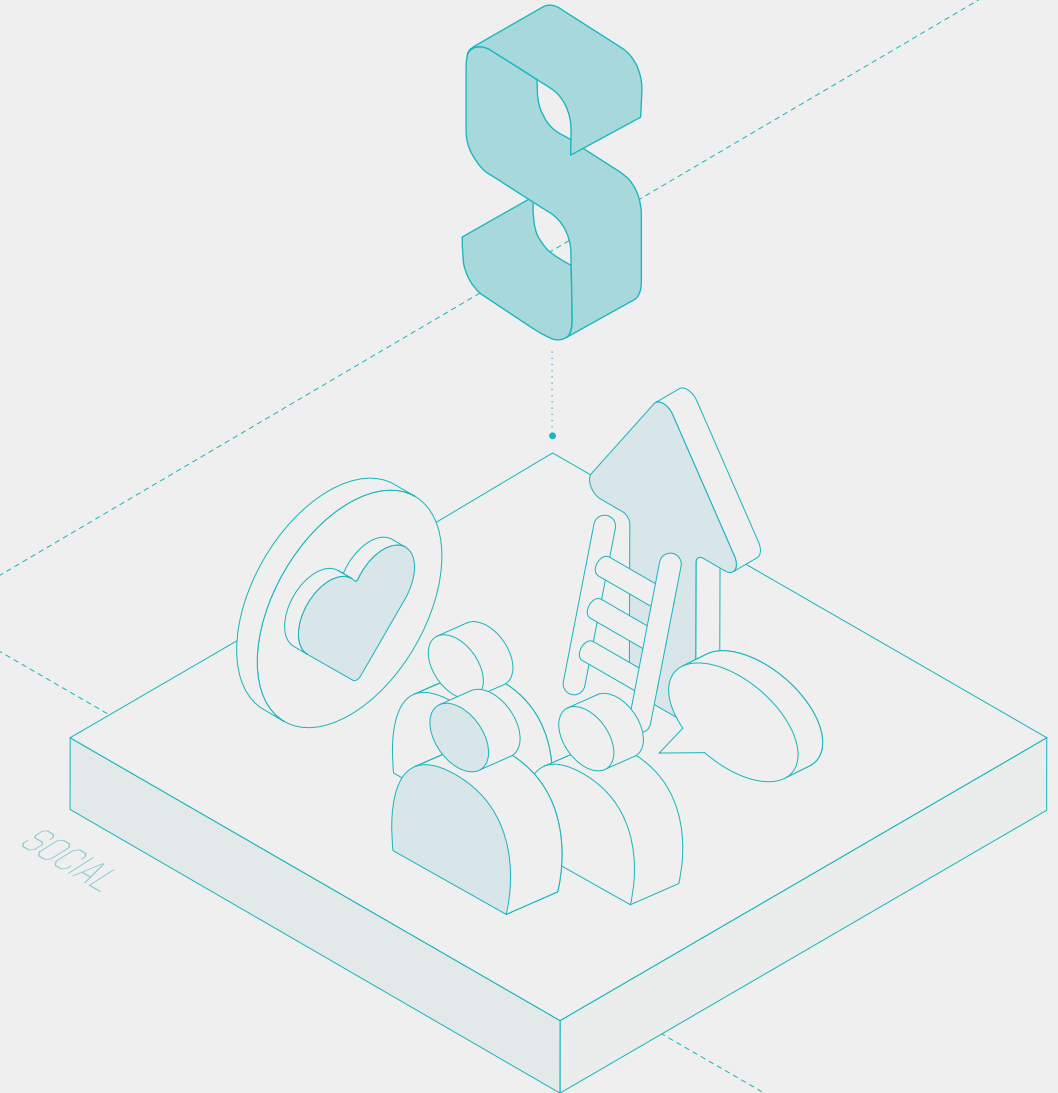
## SUSTAINABILITY OVERVIEW

### Wellness for Society

# WELLNESS FOR SOCIETY

As a leader in the industry, LOTTE WELLFOOD is proactive in fulfilling its social responsibilities and creating a healthy food culture. Enhancing communication across the entire value chain is a key factor in ensuring sustainability for the sake of consumers' healthy and happy lives.

Our employees and suppliers at LOTTE WELLFOOD are committed to realizing the social value of "creating a warm-hearted world by sharing delicious food with neighbors" as we journey together towards sustainable growth. As part of this commitment, we actively participate in addressing social issues by leveraging our business strengths. We are dedicated to working with stakeholders to create a sustainable society for a better future.



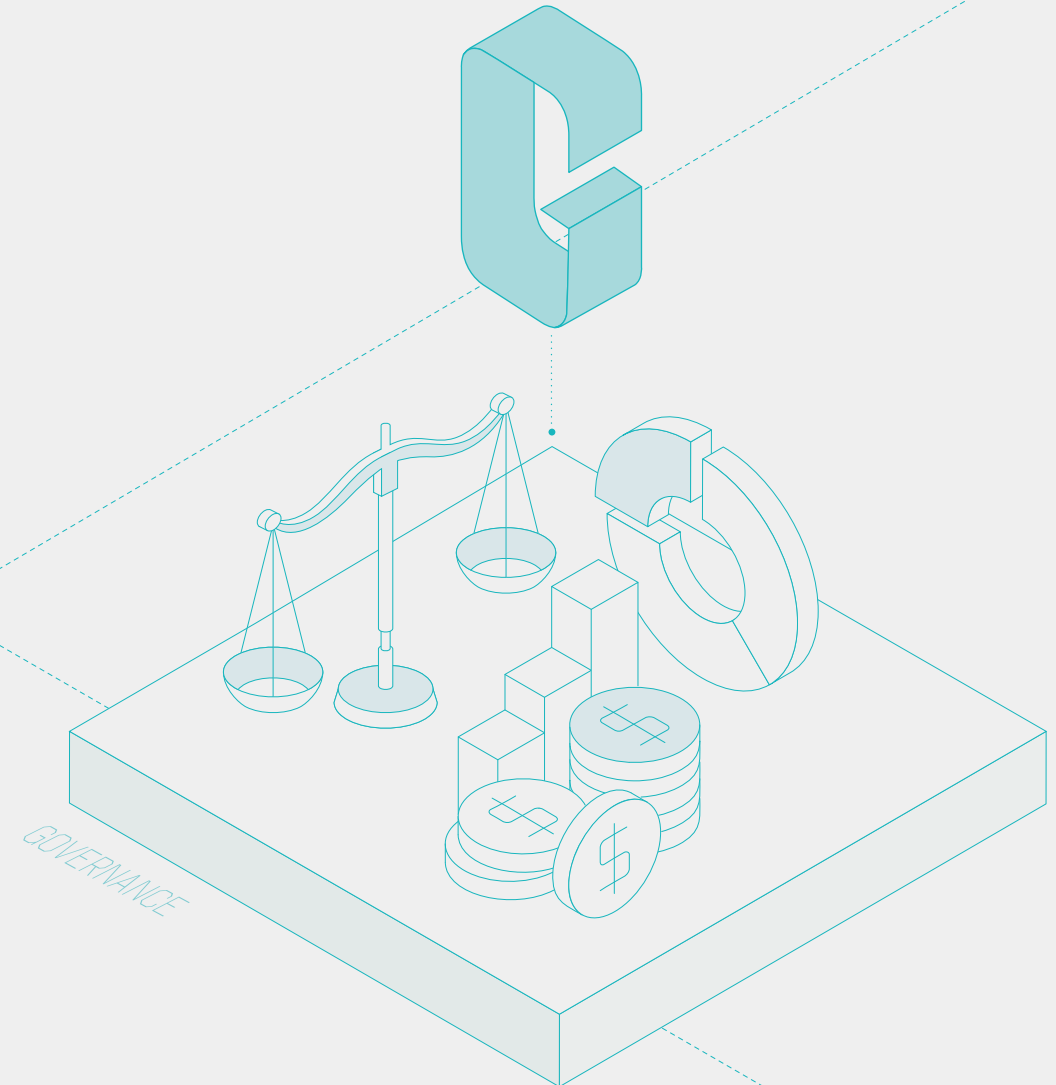
## SUSTAINABILITY OVERVIEW

### Wellness for Company

# WELLNESS FOR COMPANY

LOTTE WELLFOOD's sustainable growth begins with healthy governance structure. The company enhances corporate value and establishes a healthy governance structure by securing expertise and diversity in the Board of Directors, ensuring rational and transparent decision-making. Additionally, LOTTE WELLFOOD practices high standards of ethical management to build trust with stakeholders and uphold responsible business conduct.

In the rapidly changing global business environment, risk management is crucial to ensuring corporate sustainability. In response, LOTTE WELLFOOD monitors both financial and non-financial risks regularly, thereby identifying and addressing risk factors in advance. Moreover, in this process, we are proactive in seeking opportunities to create new value. Through these efforts, we will realize robust operating performance and stakeholder value without being swayed by changes in the external environment.



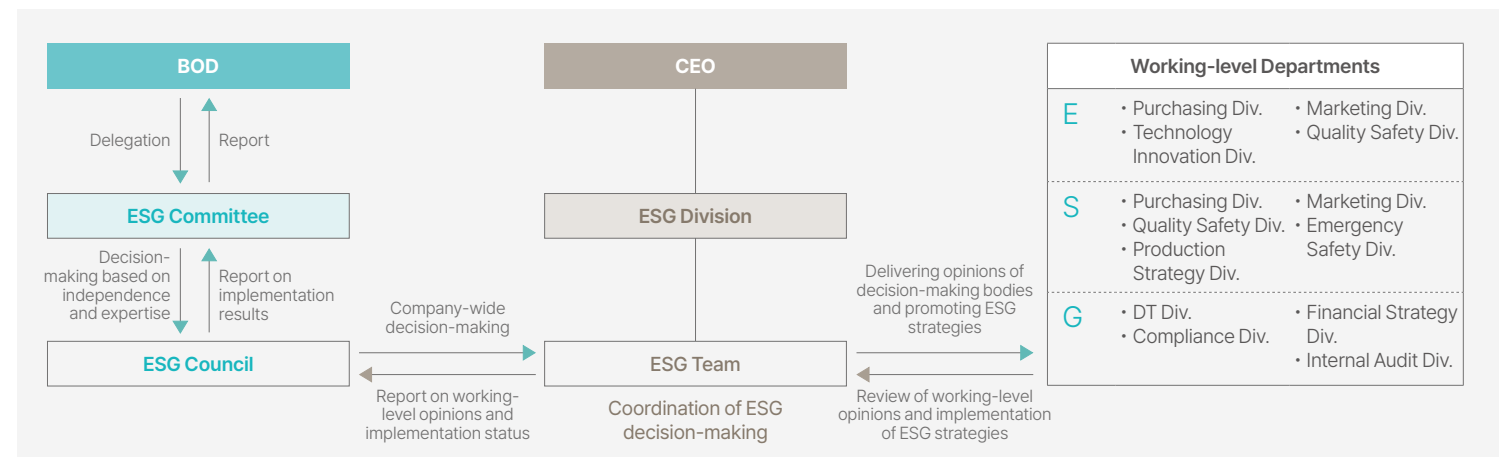
# SUSTAINABILITY OVERVIEW

## ESG Vision

With the ESG mission of becoming “a general food company creating a sustainable world through righteous corporate activities”, LOTTE WELLFOOD has set “Wellness for Earth,” “Wellness for Society,” and “Wellness for Company” as ESG core values. To achieve this, the company is promoting company-wide ESG management based on organic cooperation between the organization dedicated to ESG management, ESG committee, and councils.

## ESG Management Promotion System

The company established the ESG Committee in August 2021 with the aim of promoting ESG management driven by the Board of Directors and embedding sustainability throughout its business operations. In March 2022, Deok-nam Hwang, the first female non-executive director, was appointed as the Chairperson of the ESG Committee. In February 2023, Seong-uk Hwang, the Head of the Financial Strategy Division and a registered director, was additionally appointed as a member of the ESG Committee. This has strengthened the deliberation and decision-making processes that link sustainability management with financial performance. The ESG Council, a practical consultative body chaired by the CEO, is held at least once a year to discuss company-wide ESG-related activities and tasks. When necessary, key agenda items are reported to and resolved by the ESG Committee to enhance execution. The ESG Committee convened eight times in 2023 and resolved 14 agenda items. Additionally, the ESG Division, established in November 2021, has been enhancing collaboration with related organizations and refining internal and external communication systems to support company-wide ESG activities.



# SUSTAINABILITY OVERVIEW

## ESG Committee Overview

<b>Composition</b>	<ul style="list-style-type: none"> <li>Non-executive director: Deok-nam Hwang (Chairperson), Mun-gi Sohn, Yoon-hwa Jeong, Young-son Shin, Byung-Choon Ihn</li> <li>Executive director: Paul Yi, Sung-wook Hwang</li> </ul>
<b>Meeting</b>	Quarterly (ad hoc meeting if necessary)
<b>Purpose</b>	As a body that deliberates and makes decisions on key issues related to corporate sustainability management, the committee oversees the establishment and implementation of strategies for environmental, social, and governance (ESG) matters.
<b>Review items</b>	<ul style="list-style-type: none"> <li>Review ESG strategic direction, manage and supervise execution of major tasks</li> <li>Supervise risk management from an ESG perspective</li> <li>Establish ESG KPIs, check performance, and derive improvements</li> <li>Disclosure of ESG information, including publication of sustainability report</li> <li>Networking and communication with major stakeholders related to ESG management<sup>24</sup></li> </ul>

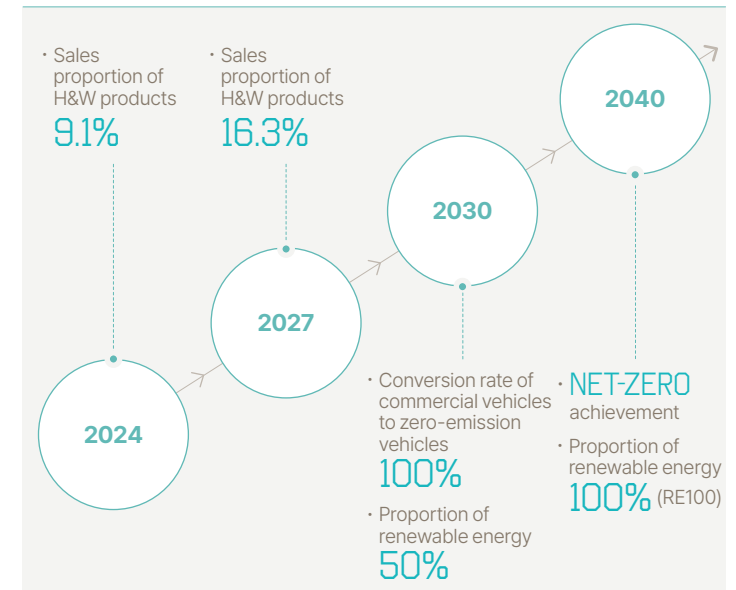
\* As of the end of March 2024

## ESG Committee's Major Agendas in 2023

Date	Session	Agenda
Mar. 04, 2024	2 <sup>nd</sup>	Approval of ESG KPIs for 2024
Feb. 07, 2024	1 <sup>st</sup>	Approval of plan for safety and health in 2024
		Approval of ESG KPI indicators for 2024
		Establishment of governance guidelines
		Report on compliance system operation results
		Report on ESG diagnosis results within the supply chain in 2023
Dec. 27, 2023	8 <sup>th</sup>	Approval of joining the ESG Initiative
		Report on external ESG evaluation results in 2023
Oct. 17, 2023	7 <sup>th</sup>	Approval of ESG KPI results in 2023
		Interim report on ESG diagnosis results within supply chain
		Report on ESG management activities
Jun. 27, 2023	6 <sup>th</sup>	Publication of sustainability report
May 09, 2023	5 <sup>th</sup>	Approval of materiality assessment results
		Approval of ESG KPIs
		Report on ESG management promotion strategy
		Report on external activities related to ESG management
Apr. 07, 2023	4 <sup>th</sup>	Approval of membership in Global RE100
Jan. 19, 2023	1 <sup>st</sup>	Approval of ESG KPIs for 2023

## Sustainability Management Promotion Process

LOTTE WELLFOOD's future strategy for sustainability centers on the environment, health and wellness. In regard to the environment, we plan to convert 100% of our commercial vehicles to zero emissions by 2030 and increase use of renewable energy at our facilities to 50%, thereby achieving RE50 compliance. In addition, we plan to achieve carbon neutrality by 2040, with a long-term goal of becoming RE100 compliant by converting 100% of our electricity needs to renewable energy. We also plan to increase the share of Health & Wellness products in our sales to 9.1% by 2024 and to 16.3% by 2027, making the overall business more sustainable.



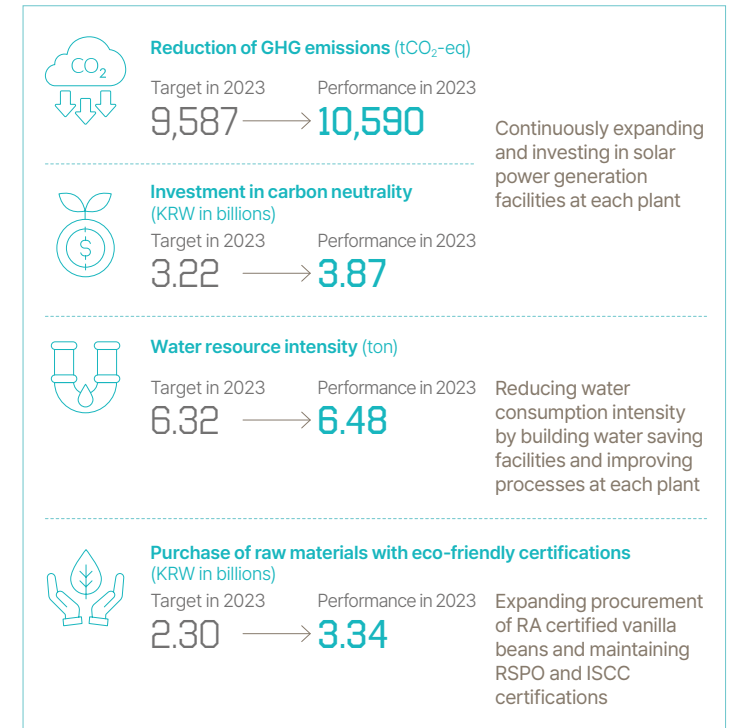
# SUSTAINABILITY OVERVIEW

## CEO's Performance Evaluation Reflecting Sustainability Management

In 2023, LOTTE WELLFOOD allocated 30% of the CEO's KPIs to ESG initiatives and appropriately reflected the evaluation results in performance bonuses. At LOTTE WELLFOOD, ESG KPIs and action plans are established considering material ESG issues and business strategies and the implemented after approval by the ESG Committee. ESG Team dedicated to ESG activities collaborates with and supports related departments to help them achieve each goal. In 2023, the weights of some indicators used in the previous year were adjusted to effectively align with evolving ESG trends. Reflecting these adjustments, the approval of the KPI indicators took place in January 2023, the approval of the targets in May, and the reporting of results in October, all decided by the ESG Committee.

Four Core Issues	Trends and Considerations	Response Strategy	
		Phase 1 (~FY2023)	Phase 2 (FY2024~)
Implementation of Carbon Neutrality	• Visualization of global trade regulations related to carbon emissions	• Declaration of 2040 Net-Zero and RE100	• Joining the global RE100
Requirements on ESG disclosure	• Implementation of mandatory domestic and international ESG disclosure	• Publication of sustainability report	• Reinforcing responsiveness to global disclosure guidelines
Information protection	• Increase in serious information protection accidents	• Response to disclosure of information protection and carbon neutrality	• Advancing information security governance system and tasks
Sustainable supply chain	• Increase in supply chain ESG risk	• Expansion of green purchase • Enhancement of suppliers' sustainability management	

## Major Items of Sustainability Management KPIs



\* ESG KPI calculation period: September 2022 to August 2023

# SUSTAINABILITY OVERVIEW

## ESG Performance

### 2023 AT A GLANCE (2023 HIGHLIGHTS)



#### Major Performances

<b>9,787</b> tCO <sub>2</sub> -eq	Reduction of GHG emissions from the previous year
<b>49.4</b> %	Transition rate of business vehicles to zero-emission vehicles
<b>9.4</b> billion won	Social contribution expenditure
<b>201</b> cases	Hygiene support for suppliers
<b>7,610</b> thousand persons	Cumulative number of beneficiaries from Happy Dream



#### Major Awards

Dec. 2023	<b>Red Dot Design Award</b> Pepero Braille Package (Brand & Communication Division)
Dec. 2023	<b>Excellence Citation from the Ministry of Employment and Labor</b> Safety management campaign to spread the culture of safety awareness
Jun. 2023	<b>Appreciation plaque from the Minister of Patriots and Veterans Affairs</b> Contribution to promotional activities in conjunction with Turn Toward Busan event
Jun. 2023	<b>Gold Award at DLG International Food Fair</b> Four items including Uiseong Garlic Ham
Mar. 2023	<b>Award from the Ministry of Environment</b> Excellent company in the K-EV100 initiative



#### Major External Evaluation

<b>ESG evaluation by KCGS: B+</b>
<b>MSCI ESG Ratings: B</b>
<b>Susinvest evaluation: A</b>
<b>CDP: B</b>



# SUSTAINABILITY OVERVIEW

## Response to Global Initiatives

LOTTE WELLFOOD supports the 17 UN SDGs. By aligning with our core ESG values of “Wellness for Earth, Wellness for Society, and Wellness for Company,” we prioritize these goals in our business activities, thereby creating value sustainability management.









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

# STAKEHOLDER ENGAGEMENT

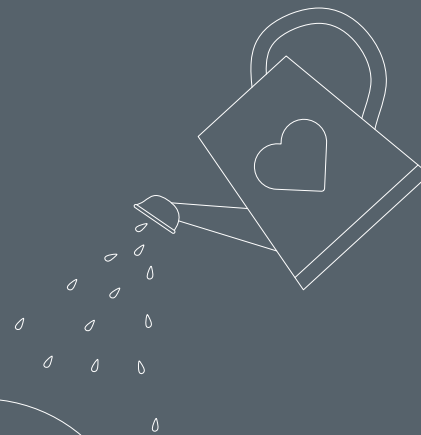
## Stakeholder Communication and Engagement

LOTTE WELLFOOD defines its major stakeholder groups, which have a significant mutual impact on its business activities, as customers, shareholders and investors, employees, partners, local communities and NGOs, and government/media/associations. We gather feedback from these groups through various channels tailored to their specific characteristics and share the results with the management and the Board of Directors, actively reflecting them in our business activities. The economic value distributed to major stakeholders from business activities in 2023 amounted to approximately KRW 1.853 trillion.

	 <b>Customers</b>	 <b>Shareholders and Investors</b>	 <b>Employees</b>	 <b>Suppliers</b>	 <b>Local Communities / NGO</b>	 <b>Government / Media / Association</b>
Major issue	<ul style="list-style-type: none"> <li>Developing sustainable products</li> <li>Strengthening product and service research</li> <li>Actively collecting opinions</li> <li>Protecting customer information</li> </ul>	<ul style="list-style-type: none"> <li>Share price and financial performance</li> <li>Stability and transparency in governance</li> <li>Future business prospects</li> <li>Enhancing shareholder value</li> </ul>	<ul style="list-style-type: none"> <li>Securing and nurturing talent</li> <li>Grievance handling</li> <li>Work-life balance</li> <li>Labor-management relations</li> <li>Safety and health management</li> <li>Protecting employee human rights and diversity</li> <li>Performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Selecting and managing suppliers</li> <li>Fair trade</li> <li>Shared growth</li> <li>Supply chain ESG management</li> </ul>	<ul style="list-style-type: none"> <li>Social contribution activities</li> <li>Protecting community environment</li> <li>Developing sustainable products</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws</li> <li>Job creation</li> <li>Faithful tax payment</li> </ul>
Communication channel	<ul style="list-style-type: none"> <li>LOTTE WELLFOOD homepage</li> <li>LOTTE WELLFOOD SNS</li> <li>Customer support center (VOC)</li> <li>Hidden supporters</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' meeting</li> <li>Disclosure of business report</li> <li>NDR</li> <li>Earnings release</li> <li>Sustainability report</li> <li>Investment prospectus</li> </ul>	<ul style="list-style-type: none"> <li>Intranet (MoIN)</li> <li>Labor-management council</li> <li>Safety and Health Committee</li> <li>Ethical management hot line</li> <li>Presentation on evaluation system</li> <li>Welfare system information chatbot</li> <li>Corporate magazine</li> <li>Anonymous communication bulletin board (Wellnamu Forest)</li> </ul>	<ul style="list-style-type: none"> <li>Supplier portal site</li> <li>Co-prosperity consultative body</li> <li>Workshop for partners</li> <li>Shared Growth Family Day Event</li> <li>Lotte Safety Academy</li> </ul>	<ul style="list-style-type: none"> <li>Charlotte Volunteer Corps (Hamhangbok)</li> <li>Happy School</li> <li>Happy Home</li> <li>Happy Box</li> <li>Happy Picnic</li> <li>Dr. Xylitol Bus</li> <li>Uiseong Garlic Ham Camp</li> <li>1 Company 1 Barrack</li> <li>Turn Toward Busan</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of corporate governance report</li> <li>Disclosure of business report</li> <li>Policy meeting</li> </ul>
Major activities	<ul style="list-style-type: none"> <li>Developing products meeting customer opinions</li> <li>Responding to customer inquiries and suggestions</li> <li>Experiencing new products</li> <li>Consumer survey</li> </ul>	<ul style="list-style-type: none"> <li>Conference call and meeting</li> <li>Company briefing session</li> <li>Presentation on operating performance, etc.</li> </ul>		<ul style="list-style-type: none"> <li>Recruitment support</li> <li>Financial support</li> <li>Productivity improvement support</li> <li>Technical support and protection</li> <li>ESG diagnosis and support</li> </ul>		<ul style="list-style-type: none"> <li>Participating in meetings led by government agencies</li> <li>Association activities related to the food industry</li> <li>Article distribution / interview</li> <li>Participating in ESG evaluation</li> </ul>
Value distribution		Dividends KRW <b>26.5</b> billion	Labor costs and welfare benefits KRW <b>472.0</b> billion	Corporate tax KRW <b>1,298.7</b> billion	Social contribution expenditure KRW <b>9.4</b> billion	Corporate tax KRW <b>21.7</b> billion

# SUSTAINABILITY PERFORMANCE

LOTTE WELLFOOD is actively involved in addressing social issues such as diversity and ethics, as well as protecting the environment for future generations. Additionally, by pursuing transparent management activities, we are creating a sustainable future together with our stakeholders.



## WELLNESS FOR EARTH

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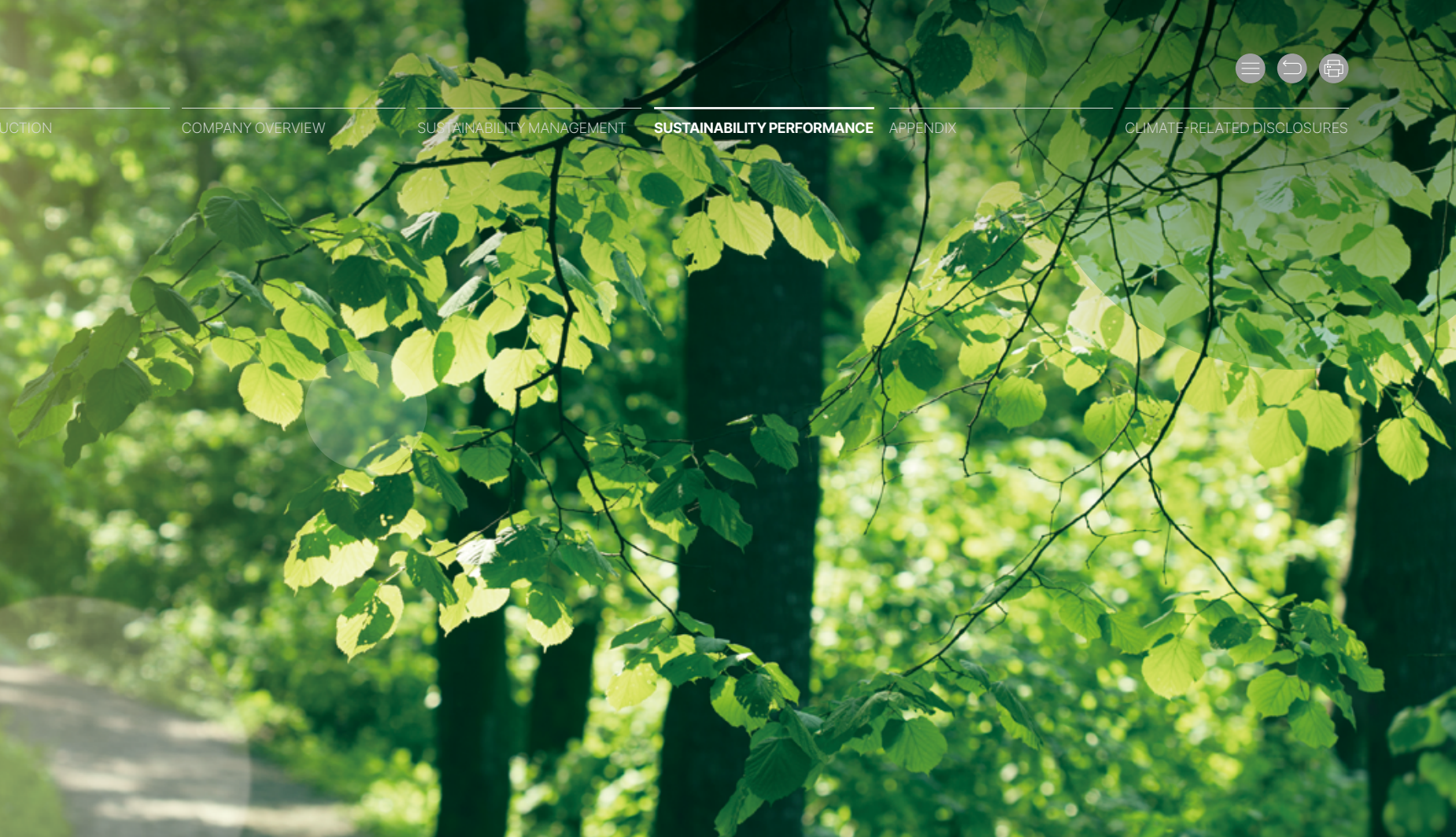
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PERFORMANCE

1

# WELLNESS FOR EARTH



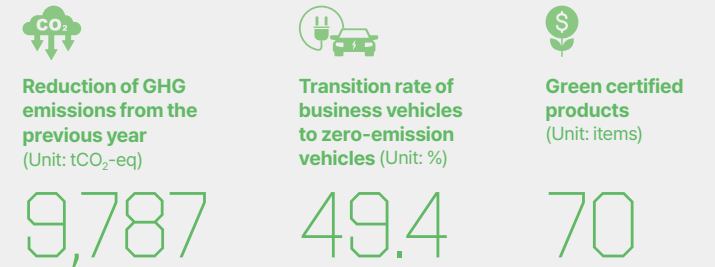
## Why Important?

The increasingly frequent and intense impacts of climate change directly affect ecosystems and human survival. Consequently, the demand from global civil society and stakeholders for climate crisis responses is rising, and governments across the globe are emphasizing corporate responsibility in addressing climate change. The introduction of regulations such as carbon taxes and emission trading systems is making significant impacts on business activities on a direct and indirect ways, requiring companies to actively reduce their carbon emissions. Food companies are also required to actively respond to these changes.

## How we manage?



## What are results?



# CONTRIBUTING TO THE TRANSITION TO LOW CARBON ECONOMY

## Environmental Management System

LOTTE WELLFOOD is committed to minimizing environmental pollution resulting from its business operations. To this end, diverse activities are conducted with the aim of fostering a company-wide culture of environmental management and ensuring that all employees recognize their responsibilities and roles regarding the environment. We have established an environmental policy and an environmental management charter that reflect our commitment and direction towards environmental conservation and are operating a trusted environmental management framework by adopting an environmental management system in accordance with global standards. Additionally, the company emphasizes the importance of environmental management through education and communication.

### Environmental Management Charter

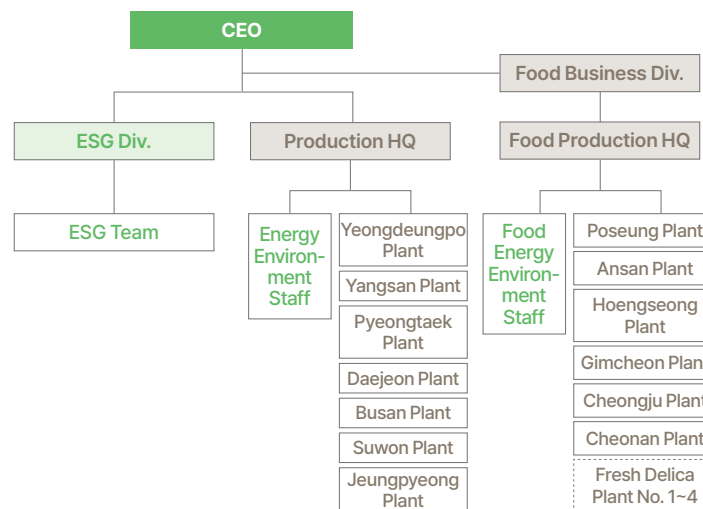
- Complying with environmental laws and managing beyond legal standards
- Minimizing GHG emissions and environmental pollution
- Promoting resource conservation and recycling
- Participating in international efforts to realize a carbon-neutral society
- Efforts to reduce negative impacts on biodiversity
- Regular and transparent disclosure of environmental management performance
- Promoting the adoption of environmental management systems to suppliers

## Environmental Management Organization System

At LOTTE WELL FOOD, the CEO serves as the general manager with decision-making authority on environmental management. ESG Team in the ESG Division, Energy & Environment Staff in the Production Division, and Food Energy Environment Staff in the Food Production Division serve as working organizations. Major roles of ESG Team include building environmental and carbon neutrality implementation strategies in conjunction with sustainability management and conducting internal and external communications. Critical issues are reported to the ESG Committee and ESG Council for decision-making. Energy and Food Energy Staff manage environmental activities and data at each business site and GHG emission credits.

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

## Environmental Management Organization



## Environmental Policy

LOTTE WELLFOOD has been striving to minimize the unavoidable negative environmental impacts arising from its business processes. To systematically implement this commitment, we have established an environmental policy that reflects our dedication to effective environmental management.

[More Details](#)

## Environmental Management Certification

As consumer interest in food safety has continued to increase, the company obtained ISO 14001 (Environmental Management System) certification in 2004, the first in the confectionery industry in Korea. Even after the merger, we have continued to maintain this certification across 12 factories to ensure environmentally friendly production.

## Environmental Management Certification Status (Unit: sites, %)

Classification	2021	2022	2023
ISO 14001 certified business sites	7	12	12
Total number of business sites	7	13	13
Certification acquisition rate	100	92	92

## Violation of Environmental Laws (Unit: cases, KRW in millions)

Classification	2021	2022	2023
Number of violations	0	1	0
Penalty or fine	0	0	0

# CONTRIBUTING TO THE TRANSITION TO LOW CARBON ECONOMY

## Life Cycle Analysis

LOTTE WELLFOOD conducted an in-house Life Cycle Analysis (LCA) on its two representative products to quantitatively assess the environmental impact of the products at each stage of their life cycle. This analysis measures the amount of GHG emitted across six stages, from raw material development to disposal. GHG emissions from one Ghana Mild Chocolate 70g were 23.4386 kgCO<sub>2</sub>-eq and those from one Pasteur Antibiotic-Free Milk 750ml amounted to 169.5747 kgCO<sub>2</sub>-eq. The evaluation results indicate that the majority of greenhouse gas emissions occur during the transportation and distribution stages of raw materials and finished products, which showed that efforts are needed to reduce emissions during these stages.

## Emissions by Each Stage

Classification		GHG Emissions and Proportion by Each Stage						
		Acquisition of raw materials	Transportation of raw materials	Production	Disposal during production	Distribution of finished products	Disposal after use	Total
Ghana Mild Chocolate 70g	Emissions (kgCO <sub>2</sub> -eq)	0.3031	14.0486	0.0198	0.0007	9.0447	0.0216	<b>23.4386</b>
	Proportion (%)	1.3	59.9	0.1	0.0	38.6	0.1	<b>100.0</b>
Pasteur Antibiotic-Free Milk 750ml	Emissions (kgCO <sub>2</sub> -eq)	1.3732	54.5243	0.8222	0.0257	112.8282	0.0010	<b>169.5747</b>
	Proportion (%)	0.8	32.2	0.5	0.0	66.5	0.001	<b>100.0</b>

## Calculation of Scope 3 Emissions

Starting from 2023, we have been calculating Scope 3 emissions in addition to existing Scope 1 and Scope 2 emissions to comprehensively assess the environmental impact throughout our supply chain. Scope 3 emissions were calculated for 13 out of the 15 categories specified by the GHG Protocol, totaling 1,492,268.6 tCO<sub>2</sub>-eq in 2023.

		(Unit: CO <sub>2</sub> -eq)
Category	Description	GHG Emissions
1	Purchased goods and services	902,474.3
2	Capital goods	4,738.5
3	Fuel and Energy related activities	379.2
4	Upstream transportation and distribution	312,119.6
5	Waste generated in operations	5,402.3
6	Employee business travel	740.3
7	Commute for employee commuting	725.3
8	Upstream leased assets (buildings)	437.0
9	Downstream transportation and distribution	31.0
10	Processing of sold products	125,505.0
11	Use of sold products	-
12	End-of-life treatment of sold products	3,261.7
13	Downstream leased assets (buildings)	12,627.9
14	Franchises	123,826.5
15	Investments	-
<b>Total</b>		<b>1,492,268.6</b>

# ESTABLISHING A CIRCULAR ECONOMY

## Circular Economy at LOTTE WELLFOOD

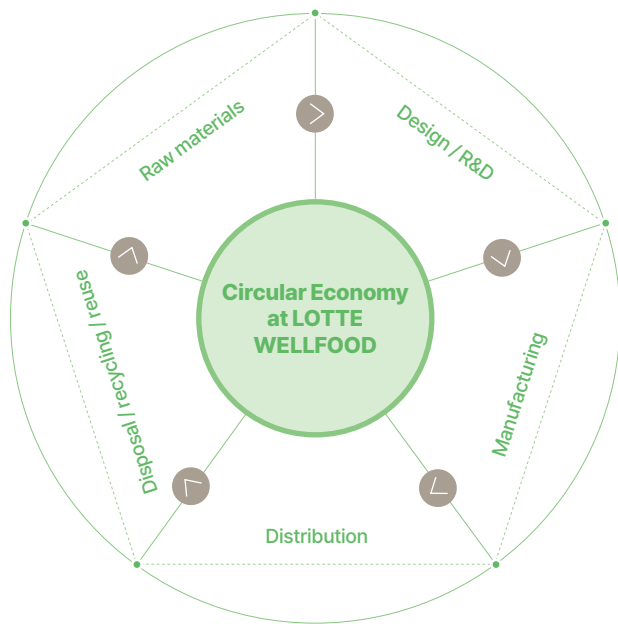
LOTTE WELLFOOD is actively building a circular economy system to minimize environmental issues caused by plastic waste. By shifting away from the resource-intensive perspective of a linear economy, we manage packaging from a standpoint of regeneration and maximize the potential value of resources. We are also making efforts not only to develop eco-friendly packaging but also to enhance sustainability throughout the value chain, from raw material sourcing to product production and disposal. For instance, we are expanding circular economy initiatives such as increasing the use of recycled plastics, implementing biodegradable packaging materials, and reducing packaging frequency through collaboration with various stakeholders including governments, research institutes, and partners.

## Sustainable Supply Chain Policy

With the aim of systematically enhancing ESG management within supply chain and communicating the content with stakeholders, the company established a sustainable supply chain policy in June 2024. It was declared after the approval by the ESG Committee. This policy outlines the importance of managing issues by major raw material and securing sustainability and the methods for specific action plans. It also addresses the role of procurement and initiatives for shared growth and collaboration across the supply chain.

[More Details](#)

### Our Approach to Circular Economy



REDUCE	REPLACE	RECYCLE	REDESIGN	REUSE
<ul style="list-style-type: none"> <li>Reduction of plastic use</li> <li>Carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>Recycled plastic</li> <li>Eco-friendly packaging materials</li> </ul>	<ul style="list-style-type: none"> <li>Packaging materials with easy resource circulation</li> </ul>	<ul style="list-style-type: none"> <li>Easy-to-recycle design</li> </ul>	<ul style="list-style-type: none"> <li>Renewable energy</li> <li>Use of by-product</li> </ul>

# ESTABLISHING A CIRCULAR ECONOMY

## Expanding Sustainable Packaging

As environmental concerns grow worldwide, the company has set a strategic direction for eco-marketing, including reducing packaging waste. In 2021, with the declaration of promoting eco-friendly packaging project Sweet Eco 2025, we have continued research on reducing the weight of packaging materials and expanding the application of material unification, while increasing the number of products with green certification using flexographic printing technology. Additionally, LOTTE WELLFOOD is strengthening its sustainable packaging capabilities by developing eco-friendly packaging materials made from food by-products and applying them to certain products. Quantitative and qualitative results related to packaging reduction are transparently disclosed.

### Sweet Eco 2025

Our mid- to long-term eco-friendly packaging campaign, Sweet Eco 2025, is being implemented with three specific goals to be achieved by 2025: "Reducing Plastic Use," "Promoting Eco-Friendly Printing," and "Using Eco-Friendly Paper." For the "Using Eco-Friendly Paper" goal, to enhance the environmental sustainability of paper packaging in various ways, the management scope has included FSC-certified paper packaging since 2023 as well as paper packaging containing food by-products.

#### Sweet Eco 2025 Practice (Unit: ton, %)

Classification	Goal for 2025	Performance in 2023	Achievement Rate
Reduction in container and tray plastic use	815	607	75
Reduction in ink and solvent use for packaging printing	550	487	89
Usage of eco-friendly paper packaging materials	4,200	1,504	36

### Packaging Materials

In 2023, the amount of packaging materials used for product packaging was approximately 20,158 tons. This primarily included plastics used for containers and trays, as well as single-composite films. LOTTE WELLFOOD is striving to minimize environmental impact by utilizing eco-friendly green printing technologies and other sustainable practices.

#### Use of Packaging Materials (Unit: ton)

Classification	2021	2022	2023
Plastic (synthetic resin)	9,729	18,376	16,144
Metal can	-	3,918	2,941
Glass bottle	5	123	115
Paper pack	-	1,039	958
<b>Total</b>	<b>9,734</b>	<b>23,456</b>	<b>20,158</b>

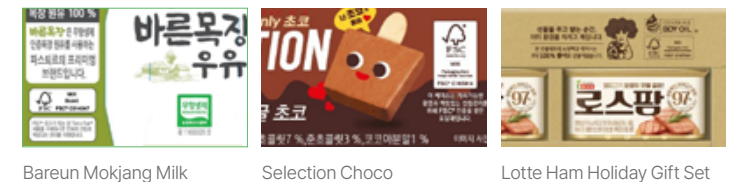
\* Based on performance related to EPR (Extended Producer Responsibility)

### FSC Certification

Since 2022, LOTTE WELLFOOD has been using FSC-certified paper bags instead of plastic for the Lotte Ham holiday gift set. Additionally, the plastic trays in the canned ham gift sets have been replaced with special trays made from FSC-certified paper. As a result, annual plastic usage has been reduced by approximately 38 tons. Furthermore, all paper cartons used for dairy product packaging are made from FSC-certified paper, supporting sustainably managed forests.

#### FSC-certified Products (Unit: items)

Classification	Brand	Items
Biscuits	Zero Chocolate Chip Cookie, Cacao Cake	2
Ice cream	Selection Choco/Strawberry, Natuur, Zero Ice, etc.	13
Bakery	Pasteur Antibiotic-free Certified Bareun Mokjang Milk, etc.	30
Processed meat	Lotte Ham Holiday Gift Set	50
<b>Total</b>		<b>95</b>



Bareun Mokjang Milk

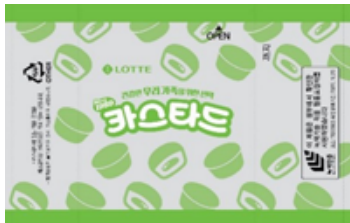
Selection Choco

Lotte Ham Holiday Gift Set

# ESTABLISHING A CIRCULAR ECONOMY

## Green Certification & Flexo Printing

Since 2021, LOTTE WELLFOOD has been expanding the use of packaging materials certified with green technology by the Ministry of Agriculture, Food and Rural Affairs. Starting in 2020, we have been using eco-friendly ethanol-based packaging materials and in 2023, applied eco-friendly flexographic printing to the inner packaging of Chic Choc and Custard. Flexographic printing, which is certified as green technology, uses less ink and organic solvents compared to gravure printing and has the advantage of reducing GHG emissions. This printing method has since been applied to the inner packaging of 36 products, including Mon Cher, Binch, Harvest, and Vegetable Cracker. As a result, in 2023, approximately 487 tons of ink and organic solvents were saved.



Custard

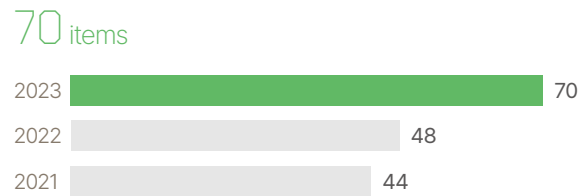


Chic Choc

### Green Certified Products (Unit: items)

Classification	Brand	Items
Biscuits	Mon Cher, Choco Pie, Pepero, Custard, Mom's Handmade Pie, LOTTE Sandwich Cookie, etc.	29
Ice cream	Natuur, Papico, Jewel Ice Bar, Crunch Bar, ZERO, etc.	16
Bakery	Red Bean Steamed Bread, Mini Sandwich Cookie, Premium Pastry, etc.	24
Processed meat	Chefood Pork Loin Cutlet	1
<b>Total</b>		<b>70</b>

### 3-year Cumulative Performance (Unit: items)



## Eco-friendly Packaging Performance in 2023

The annual reduction of container and tray plastic consumption in 2023 through the Sweet Eco 2025 project was approximately 607.3 tons. This corresponds to 74.5% of the target plastic reduction of 815 tons declared to be achieved by 2025.

Reduction Activities	Brand	Reduction (ton)
Reduction of the weight and thickness of packaging materials	Glutinous Rice Cake Pie, Mom's Handmade Pie, Crunky, etc.	47.4
Change in packaging material (change to paper and wood)	Custard, Kancho, Cereal, Rose Farm, Natuur (Pint/Cup/Cake), etc.	481.0
Removal of packaging material	Natuur (Cup/Bar), Anytime, etc.	3.1
Use of recycled plastic	Anytime	2.1
	Pasteur Milk, Lunch Box, Sandwich, etc.	72.5
Reduction of thermoforming vacuum packaging specifications	Meal Kit	1.2
<b>Total</b>		<b>607.3</b>
<b>Sweet Eco 2025 Goal</b>		<b>815</b>
<b>Progress rate of Sweet Eco 2025 Project</b>		<b>74.5%</b>

# ESTABLISHING A CIRCULAR ECONOMY

## Sustainable Raw Materials Sourcing

Close cooperation with suppliers is essential for the production of sustainable products. To this end, LOTTE WELLFOOD is striving to ensure the sustainability of raw material and packaging procurement and to strengthen the ESG capabilities of suppliers.

### Raw Materials Management

LOTTE WELLFOOD has been proactive in participating in sustainable raw material production initiatives and increasing the procurement of certified raw materials. One of our key focuses is the RSPO<sup>1)</sup>, a global initiative aimed at promoting sustainability in the palm oil industry. It defines the purchase of raw materials and components with eco-friendly and sustainability-related certifications as the performance of purchasing eco-friendly products. Based on the initiative, our eco-friendly purchasing in 2023 accounted for 1.7% of total procurement amount. In addition to this, we are expanding the procurement of raw materials certified by RA<sup>2)</sup>, FSC Forest Stewardship Council, and Fair Trade, contributing to the improvement of supply chain sustainability.

1) RSPO: Roundtable on Sustainable Palm Oil

2) RA (Rainforest Alliance): Certification granted to farms that carry out production activities through environmentally and socially sustainable processes such as reducing the use of chemical fertilizers, prohibiting water pollution, preserving tropical rainforests, and protecting labor human rights.

### Sales Dependent on Each Raw Material in 2023 (Unit: KRW in billions)

Classification	Sales	Percentage (%)
Fisheries	7.2	0.2
Palm oil	2,289.6	69.4
Meat & Dairy Products	449.0	13.6
Sales dependent on major raw materials	2,745.8	83.2
<b>Total sales</b>	<b>3,300.8</b>	<b>100.0</b>

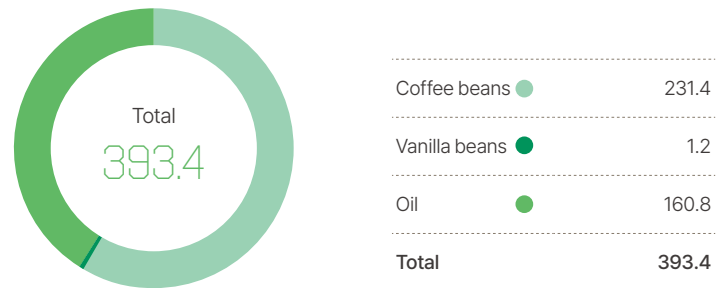
### Sustainable Palm Oil

Palm oil, a plant-based oil, is widely used in the food manufacturing industry due to its low cost, high productivity, and versatility. However, excessive production has led to environmental degradation and threats to biodiversity, and in developing countries, issues such as child labor and forced labor continue to arise. LOTTE WELLFOOD rejoined the RSPO in December 2022, an initiative that the former LOTTE FOODS had previously joined. In May 2023, we imported and supplied approximately 100 tons of RSPO-certified palm olein oil to our clients. Moving forward, we plan to expand the purchase and supply of sustainable palm oil.

**Initiatives and Certification Activities**

- RA(Rainforest Alliance)
- ISCC(International Sustainability and Carbon Certification)
- RSPO(Roundtable On Sustainable Palm Oil)

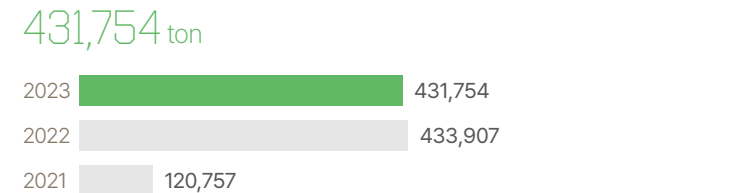
### Sustainable Raw Materials Procurement in 2023 (Unit: ton)



### Coffee Beans and Vanilla Beans

Coffee beans and vanilla beans used in confectionery manufacturing also face similar sustainability issues. LOTTE WELLFOOD is expanding the use of coffee beans and vanilla beans that have been certified by Fair Trade International and the Rainforest Alliance (RA). For example, in 2022, we produced vanilla extract using RA-certified vanilla beans for the first time in Korea and used it in our ice cream products. In January 2022, through a business agreement with the Lotte R&D Center and the global flavor specialist Symrise, we imported RA-certified vanilla beans from Madagascar and have been co-developing eco-friendly certified vanilla extract.

### Use of Raw Materials (Unit: ton)



### Eco-friendly Procurement (Unit: KRW in millions, %)

Classification	2021	2022	2023
Purchase amount of eco-friendly raw materials	5,910	21,250	21,917
Total purchase amount	600,026	1,591,375	1,296,693
Percentage of eco-friendly raw materials purchase	1	1.3	1.7
Sales of products with eco-friendly certification	280,631	430,184	486,357

# ESTABLISHING A CIRCULAR ECONOMY

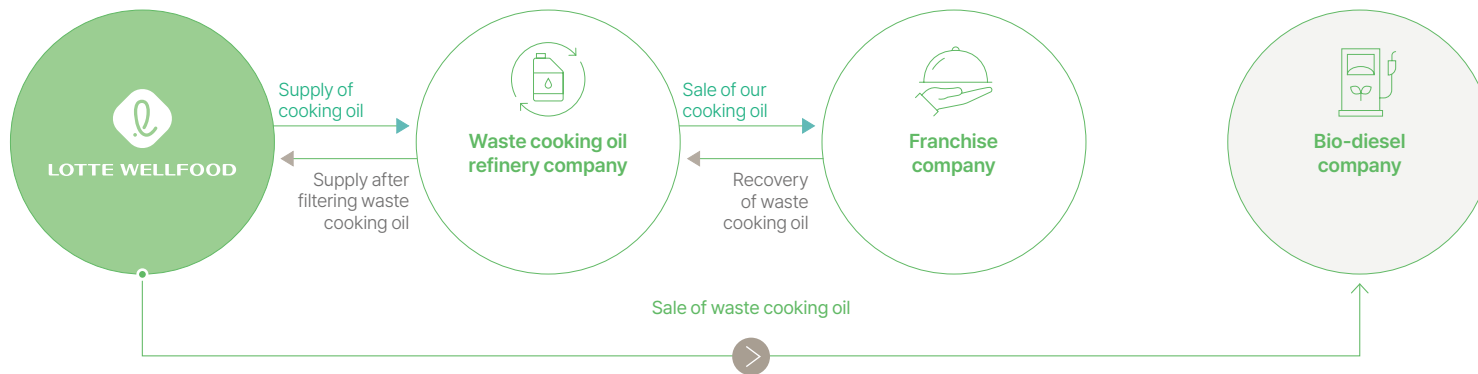
## Upcycling

### Bio-Diesel Raw Material Supply Business

As part of its ESG management, LOTTE WELLFOOD is actively promoting resource recycling. The waste cooking oil recycling business involves collecting and refining the cooking oil supplied to our franchise customers after use by professional treatment firms, and then reselling it. Once refined, the waste cooking oil is used as a raw material for biodiesel. Unlike regular diesel, which is made from refined petroleum, biodiesel is an eco-friendly fuel made from animal and vegetable oils. It has similar properties to fossil fuels, allowing it to substitute regular diesel fuel. Therefore, biodiesel not only significantly reduces greenhouse gas emissions but also helps to reduce food waste byproducts. Additionally, it is expected to play a crucial role in response policies for the Renewable Fuel Standard (RFS)<sup>1)</sup> program, which mandates a certain percentage of biodiesel blending.

1) RFS: A standard that requires a certain percentage of biodiesel to be mixed into commercially available diesel. The mandatory biodiesel mixing ratio, which is currently 4%, is expected to increase to 8% by 2030.

### Business Process



### Major Activities and Performances in 2023

To expand the production of eco-friendly bioenergy, our company has been maintaining a collaborative relationship with HD Hyundai Oilbank. Following the "Strategic Partnership Agreement for Bio Joint Business (MOU)" in 2022, we signed the "Bio Raw Material Supply and Resource Circular Economy Creation Agreement" in 2023 with them. Through these efforts, approximately 67 tons of waste cooking oil were collected and sold to refining companies in 2023. This initiative is planned to be expanded to other affiliates in the future, contributing to the growth of the eco-friendly biodiesel market. Additionally, at the Lotte Group level, activities to establish a resource recycling system will be promoted.



Strategic Partnership Agreement for Bio Joint Business (MOU)

# ESTABLISHING A CIRCULAR ECONOMY

## Waste Recycling

Proper handling of various waste generated at business sites is crucial for preventing environmental pollution and risks to local residents. LOTTE WELLFOOD, in accordance with Article 8 of the Waste Management Act Enforcement Rules and our own waste management guidelines, recycles or incinerates waste based on its characteristics to minimize environmental impact. Each business site continuously improves processes to reduce waste generation, and regularly registers and manages waste generation and treatment results in the Korea Environment Corporation's "Allbaro" system. Waste generated at factories is handled by specialized waste disposal companies. Wastewater is primarily treated for soil improvement, and waste food materials are recycled as fertilizer raw materials for agriculture. As of 2023, the recycling rate of waste was 93%.

### Waste Generation and Recycling

Classification	Unit	2021	2022	2023
General waste (a)	ton	17,361	39,155	32,204
Designated waste (b)	ton	78	130	81
Construction waste(c)	ton	463	-	-
Subtotal (a+b+c)	ton	17,902	39,285	32,285
Waste recycled	ton	15,309	29,916	29,964
Recycling rate	%	86	76	93
Waste intensity (a+b+c)	ton/product ton	0.09	0.07	0.06

### Details of Waste Generation in 2023<sup>1)</sup>

Classification	Unit	Generation Amount
Amount of general waste generated	ton	32,204
Incineration	ton	1,622
Landfill	ton	378
Recycling	ton	29,903
Storage	ton	1
Others	ton	300
Amount of designated waste generated	ton	81
Incineration	ton	18
Landfill	ton	2
Recycling	ton	61
Storage	ton	-
Others	ton	-
Amount of construction waste generated	ton	-
Incineration	ton	-
Landfill	ton	-
Recycling	ton	-
Storage	ton	-
Others	ton	-
<b>Total waste (general + designated + construction)</b>	<b>ton</b>	<b>32,285</b>

1) Collecting details of waste generation from 2023

### Waste Handling and Management Process



# ENHANCING RESPONSIBILITY FOR WATER RESOURCE

## Water Resource

### Water Resource Management

Due to the nature of the food industry, a large amount of water is required during the production process, which can impact local biodiversity and water resources. Therefore, LOTTE WELLFOOD manages water intake based on intensity criteria and undertakes activities such as upgrading and improving factory facilities, reusing cooling water, and preventing leaks to use water resources efficiently. Additionally, we monitor the water stress index around our domestic and international plants, and conduct assessments and diagnostics of water usage at each business site to enhance the efficiency of water resource management.

### Water Consumption in 2023

(Major business sites, unit: ton, %)

Classification		Water Intake				Total	Recycled Water in Total	Water Consumption	Wastewater Discharge	Water Recycling Rate <sup>1)</sup>
		Industrial water	Surface water	Ground water	Others					
Plant <sup>2)</sup>	Yeongdeungpo	620,000	-	400	126,000	746,400	-	226,400	520,000	-
	Yangsang	-	45,287	633,778	-	679,065	-	158,265	520,800	-
	Pyeongtaek	-	26,224	176,735	-	202,959	-	93,249	109,710	-
	Daejeon	288,651	-	-	27,297	315,948	-	123,132	192,816	-
	Busan	-	38,337	-	-	38,337	-	23,337	15,000	-
	Suwon	113,400	-	-	-	113,400	-	14,292	99,108	-
	Jeungpyeong	20,728	-	-	-	20,728	-	9,048	11,680	-
	Cheonan	521,020	276,350	-	-	797,370	32,361	359,271	470,460	6.88
	Gimcheon	71,382	47,103	82,139	-	200,624	-	20,904	179,720	-
	Cheongju	215,060	-	-	-	215,060	27,364	76,033	166,391	16.45
	Ansan	3,588	25,847	-	-	29,435	-	10,942	18,493	-
	Poseung	-	3,415	-	-	3,415	-	3,415	-	-
	Head Office and Logistics Centers	Yangpyeong Building	-	13,353	-	-	13,353	-	-	13,353
Seonyu Building		-	11,285	-	-	11,285	-	-	11,285	-
Gwangmyeong Logistics Center		-	21,267	-	-	21,267	-	-	21,267	-
<b>Total</b>	<b>1,853,829</b>	<b>508,468</b>	<b>893,052</b>	<b>153,297</b>	<b>3,408,646</b>	<b>59,725</b>	<b>1,118,288</b>	<b>2,350,083</b>	<b>2.54</b>	

1) Total amount of recycled water / wastewater discharge × 100

2) Hoengseong Plant was excluded from the collection and is planned to be included in the future.

### Water Resource Stress Monitoring Status

Our company assesses water resource sensitivity at domestic and international facilities using the water risk map provided by the World Resources Institute (WRI) and monitors water stress levels in each region. All domestic facilities except for Busan Plant are located in regions with low to moderate water resource sensitivity. Among our overseas worksites, 76% are located in regions such as Pakistan, China, India, and Myanmar, which are relatively more sensitive to water resources.

### Water Sensitivity Status

Classification	Low-Medium (1-2)	Medium-High (2-3)	High (3-4)	Very High (4-5)	Total
Korea <sup>1)</sup>	17	1	-	-	18
Belgium	1	-	-	-	1
Kazakhstan	1	2	-	-	3
Russia	-	1	-	-	1
Pakistan	-	-	1	5	6
China	-	-	-	1	1
India	-	-	-	6	6
Myanmar	-	-	-	3	3
<b>Total<sup>2)</sup></b>	<b>19</b>	<b>4</b>	<b>1</b>	<b>15</b>	<b>39</b>

1) Domestic business sites include the headquarters, 13 factories and 4 factories of subsidiary LOTTE Fresh Delica.

2) Number of business sites (as of April 2023)

# PROTECTING LOCAL COMMUNITY ENVIRONMENT

## Reduction of Pollutants

LOTTE WELLFOOD has established a pollution control system to minimize environmental impacts on the communities where each business site is located. We apply stringent standards that exceed legal requirements to manage pollutant emissions effectively. Detailed information regarding our pollution control efforts is disclosed annually through the environmental information disclosure system.

### Air Pollutant Management

All our plants operate air pollution control facilities such as dust collectors and combustion dust collectors. According to Article 39, Paragraph 3 of the Clean Air Conservation Act, we conduct assessments of emissions from each facility every six months through specialized measurement companies. By managing emissions of air pollutants within permissible limits, we minimize the risk of air pollution.

#### Air Pollutant Emissions

Classification	Unit	2021	2022	2023	
Chemical emissions	ton	0	0.022	0.02	
Air pollutant emissions	Dust	0.726	2.929	2.20	
	SOx	10 <sup>3</sup> tonnes	0.396	0.311	0.44
	NOx	10 <sup>3</sup> tonnes SOx <sub>eq</sub>	44.244	23.204	23.90
	Total	10 <sup>3</sup> tonnes SOx <sub>eq</sub>	45.367	26.444	24.34

### Water Pollutant Management

To minimize environmental impact on nearby rivers, each plant of LOTTE WELLFOOD discharges used water after pretreatment in compliance with discharge permit standards under Article 32 of the Water Environment Conservation Act and Article 34 of its enforcement rules. Moreover, each plant rigorously manages substances that may cause water pollution by establishing in-house criteria for measurement and management. Regular water quality analyses are conducted by specialized measurement companies at all plants, and based on analysis results, measures are implemented to reduce water pollutants.

#### Water Pollutant Emissions<sup>1)</sup>

Classification	Unit	2021	2022	2023
Biochemical Oxygen Demand (BOD)	ton	15.061	35.861	44.312
Chemical Oxygen Demand (COD)	ton	Before Management	46.125	54.771
Suspended Solids (Ss)	ton	33.157	28.685	30.326
Total Nitrogen (T-N)	ton	17.086	42.000	56.658
Total Phosphorus (T-P)	ton	2.341	8.786	20.449
<b>Total</b>	<b>ton</b>	<b>104.286</b>	<b>180.501</b>	<b>206.516</b>

1) Domestic business sites (excluding subsidiaries)

### Soil Pollutant Management

Each plant of LOTTE WELLFOOD has the soil pollution management officer to prevent soil contamination from fuel leaks. They identify facilities at risk of soil contamination within the premises and periodically inspect soil contamination levels through specialized agencies. Each plant has installed corrosion prevention treatments and leak prevention facilities to prevent external exposure of soil pollutants. Furthermore, various facilities such as soil contamination detection and measurement devices are operated to prevent contamination spread and reduce the toxicity of soil pollutants.

### Hazardous Chemicals Management

LOTTE WELLFOOD has established a hazardous chemicals management system to protect the environment and ensure the safety of its employees. Chemical management officers and inspectors are appointed to regularly check hazardous chemical storage facilities and we have established handling standards for chemical-related facilities and equipment to prevent any potential leaks.

# PROTECTING LOCAL COMMUNITY ENVIRONMENT

## Biodiversity

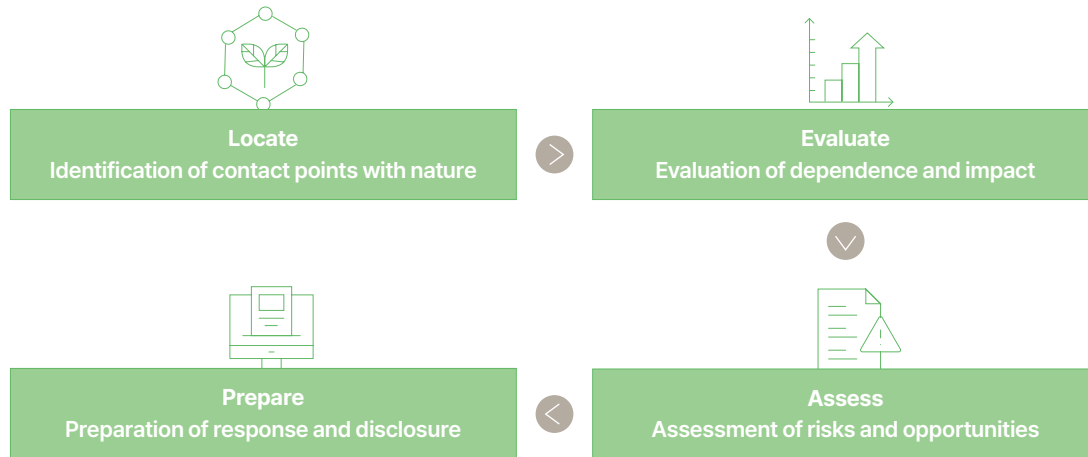
As a global food company, LOTTE WELLFOOD recognizes that protecting natural ecosystems and biodiversity is a crucial factor that directly and indirectly affects our value chain. Therefore, we identify and respond to dependencies and impacts related to biodiversity, as well as associated risks and opportunities, to maintain a sustainable supply chain.

### Biodiversity Management Strategy: LEAP Methodology

In accordance with the final recommendations on managing and disclosing nature-related risks issued by the international biodiversity initiative Taskforce on Nature-related Financial Disclosures (TNFD) in September 2023, LOTTE WELLFOOD has established a biodiversity risk assessment and response strategy based on the LEAP<sup>1)</sup> guidance.

1) LEAP: A step-by-step approach to the process of identifying, assessing, managing and disclosing nature-related dependencies, impacts, risks and opportunities recommended by TNFD

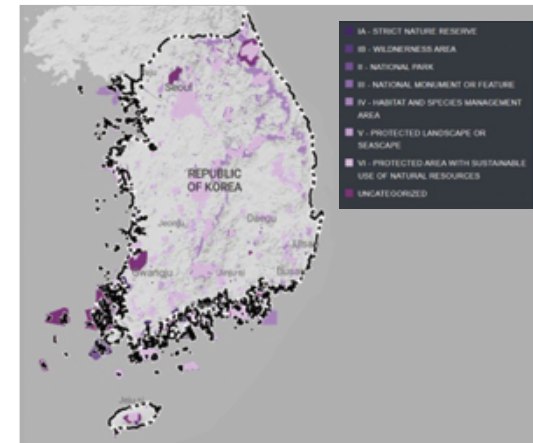
#### LEAP Methodology



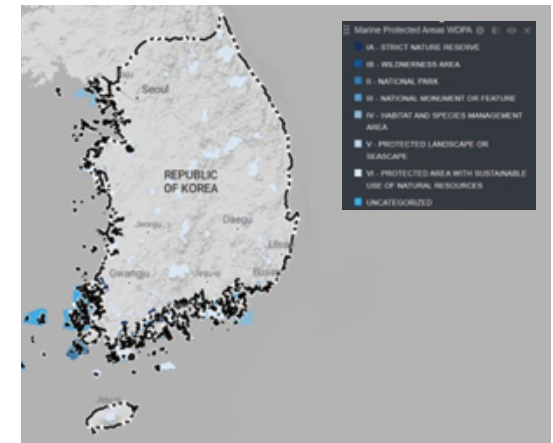
#### Locate: Identification of Contact Points with Nature

As a global food company, LOTTE WELLFOOD operates 38 production plants across 8 countries, including Korea. The company recognizes that the process of producing products in domestic and overseas plants depends on and can impact nature. Therefore, by using the UN Biodiversity Lab<sup>1)</sup>, we have confirmed that our production plants are not located within wildlife or marine protected areas. In addition, we have conducted a biodiversity risk analysis related to our direct business activities using the endangered species list designated by the Ministry of Environment and the International Union for Conservation of Nature (IUCN) Red List.

1) The purpose is to provide insights for country-led sustainable development through global spatial data and analysis tools.



Wildlife protection area



Marine protection area

# PROTECTING LOCAL COMMUNITY ENVIRONMENT



## LOTTE WELLFOOD's Production Plants

Location (Production Plant) <sup>1)</sup>	Number of Endangered Species <sup>2)</sup>			Representative Species	Total
	Level 1	Level 2	Level 3		
Yeongdeungpo-gu (Headquarters, Yeongdeungpo Plant)	Level 1: 1	Level 2: 4		White-tailed eagle, goshawk, hawk, etc.	5
Gimcheon-si (Gimcheon Plant)	Level 1: 2	Level 2: 19		Otter, marten, rhizome, yellow dragonfly, etc.	21
Daedeok-gu (Daejeon Plant)	Level 1: 1	Level 2: 2		Long-tailed flycatcher, dung beetle, etc.	3
Gijang-gun (Busan Plant)	Level 1: 1	Level 2: 11		Hawk, red-bellied hawk, ringed salamander, etc.	12
Hwaseong-si (Suwon Plant)	Level 1: 9	Level 2: 26		Swans, yellow-billed egrets, golden frogs, hawksbills, etc.	35
Ansan-si (Ansan Plant)	Level 1: 4	Level 2: 22		Spoonbill, black-headed gull, white-footed crab, plum blossom, etc.	26
Yangsan-si (Yangsan Plant, Delica No. 3)	Level 1: 1	Level 2: 17		Otter, bee hawk, common wild goose, thorn kite, etc.	18
Jeungpyeong-gun (Jeungpyeong Plant)	Level 1: 1	Level 2: 7		Saehorigi, king-spotted leopard butterfly, etc.	8
Cheonan-si (Cheonan Plant)	Level 1: 3	Level 2: 12		Suwon tree frog, cat, eagle, etc.	15
Cheongju-si (Cheongju Plant)	Level 1: 4	Level 2: 26		Bearded beetle, flying squirrel, kite, waterfowl, etc.	30
Pyeongtaek-si (Pyeongtaek Plant, Poseung Plant, Delica No. 2)	Level 1: 5	Level 2: 18		Blue-legged Sandpiper, Black-headed Gull, Golden Frog, etc.	23
Hoengseong-gun (Hoengseong Plant)	Level 1: 1	Level 2: 24		Otter, courier, hemlock, lucky bag, etc.	25
Yongin-si (Delica No. 1)	Level 1: 2	Level 2: 13		Otter, Saehorigi, Gray Froghawk, etc.	15
Gwangju Metropolitan City (Delica No. 4)	Level 1: 2	Level 2: 16		White-tailed eagle, marten, cat, serpent, orchid, etc.	18
Pakistan	CR: 38	EN: 87	VU: 152	Pineapple sea cucumber, hammerhead shark, etc.	277
Russia (Kaluga)	CR: 33	EN: 123	VU: 208	Large plum presser foot, Iris spuria, Atlantic salmon, etc.	364
Kazakhstan	CR: 38	EN: 33	VU: 66	Lynx, carambola, Caspian seal, etc.	137
Myanmar	CR: 26	EN: 53	VU: 48	Agarwood, Myanmar snub-nosed monkey, Indochinese compass cobra, etc.	127
India (Nellikuppam, Chennai, Haryana)	CR: 45	EN: 177	VU: 141	Indian kangaroo lizard, Pipa ophedillium Drewry, etc.	222
Belgium	CR: 22	EN: 51	VU: 176	High mountain point snail or basking shark, freshwater pearl mussel, etc.	249
China (Qingdao)	CR: 2	EN: 1	VU: 5	Sturgeon, northern tuna, Ricket's big-footed bat, etc.	8

1) Singapore corporation is excluded because it is a sales corporation.

2) Endangered species in Korea designated by the Ministry of Environment and species classified as Critical (CR), Endangered (EN), or Vulnerable (VU) on the IUCN Red List in overseas regions

# PROTECTING LOCAL COMMUNITY ENVIRONMENT



## Evaluate: Evaluation of Dependence and Impact

LOTTE WELLFOOD assessed its natural capital dependencies and impacts based on the characteristics of its business and supply chain by utilizing the ENCORE1) tool. The results showed that out of the 21 ecosystem service dependency indicators, 10 are connected to the company's operations, with a particularly high dependency on "ground water" and "surface water." This indicates that groundwater and surface water provide significant benefits to the food manufacturing industry and are irreplaceable natural resources. Therefore, any damage to these resources can cause substantial disruptions to the value chain. Meanwhile, among the 11 factors affecting ecosystem services, the food manufacturing industry was found to potentially impact five areas. Specifically, the extensive use of hot water, GHG emissions, and the generation of solid waste were identified as factors that could significantly negatively affect natural capital, requiring special management.

1) ENCORE: A tool to analyze the dependence and impact of each industry on natural capital based on global industry classification standards (TNFD recommendation)

### Natural Capital Dependence and Impact of the Packaged Foods & Meats industry

Classification	Relevant Indicators	Level
Dependencies	Ground water	Very High
	Surface water	Very High
	Soil quality	Very Low
	Water flow maintenance	Medium
	Water quality	Medium
	Bio-remediation	Low
	Dilution by atmosphere and ecosystems	Low
	Filtration	Low
	Flood and storm protection	Medium
	Mass stabilization and erosion control	Low
Impacts	Water use	High
	GHG emissions	High
	Water pollutants	Medium
	Soil pollutants	Medium
	Solid waste	High



## Assess: Assessment of Risks and Opportunities

Physical risks to natural capital arising from negative environmental impacts can cause damage to food companies comparable to a surge in raw material prices. Conversely, engaging in activities that positively impact the environment, such as biodiversity conservation, presents opportunities for mitigating risks and identifying new business prospects. LOTTE WELLFOOD has utilized the World Wildlife Fund (WWF)'s Biodiversity Risk Filter and Water Risk Filter to analyze potential biodiversity and water-related physical risks near its domestic and overseas production facilities. Biodiversity-related physical risks denote the dangers posed by a business's dependence on and interaction with nature. Water-related physical risks indicate hazards affecting nearby water resources due to business operations.

### Biodiversity & Water Physical Risk Assessment Items

Biodiversity Physical Risk	Water Physical Risk
<p><b>1. Provisioning Services</b> Dependence on the supply of water, timber, wildlife, and marine species needed for product manufacturing</p>	<p><b>1. Water Scarcity</b> Supply chain dependence on water resources, including water scarcity, water availability, and probability of drought</p>
<p><b>2. Regulating &amp; Supporting Services – Enabling</b> Industry's dependence on ecosystem services, including soil, water, air and pollination</p>	<p><b>2. Flooding</b> An industry's dependence on the possibility of flooding in consideration of past patterns and future trends</p>
<p><b>3. Regulating Services – Mitigating</b> Exposure to and impact of natural disasters such as landslides, forest fires, plants, forests, aquatic pests and diseases, heat waves, and tropical cyclones (typhoons)</p>	<p><b>3. Water Quality</b> Impact on water quality, including biochemical oxygen demand (BOD), salinity balance, and electrical conductivity (EC)</p>
<p><b>4. Pressures on Biodiversity</b> Impact on biodiversity pressure due to changes in land, freshwater and marine environments, invasive species, pollution, etc.</p>	<p><b>4. Ecosystem Service Status</b> Impact on ecosystem services such as river disconnection status (CSI, Continuum Suitability Index), water regulations, and expected changes in freshwater fish extinction</p>

# PROTECTING LOCAL COMMUNITY ENVIRONMENT

Location	Biodiversity Physical Risk					Water Physical Risk				
	Total	Provisioning Services	Regulating & Supporting Services – Enabling	Regulating Services – Mitigating	Pressures on Biodiversity	Total	Water Scarcity	Flooding	Water Quality	Ecosystem Service Status
Headquarters	Medium(3.38)	3.90	3.00	3.38	2.47	Medium(2.70)	2.60	3.90	3.00	3.60
Gimcheon Plant	Medium(3.30)	3.30	2.50	3.88	2.41	Low(2.42)	2.00	3.90	3.00	3.60
Daejeon Plant	Medium(3.35)	3.35	3.00	3.88	2.84	Medium(2.71)	2.20	3.90	4.00	3.60
Busan Plant	High(3.88)	3.90	2.50	3.88	2.41	Medium(2.77)	2.60	3.90	3.00	2.20
Suwon Plant	High(3.50)	3.85	3.00	3.50	2.84	Medium(2.67)	2.40	3.90	3.00	2.90
Ansan Plant	High(3.50)	3.90	3.00	3.50	2.47	Medium(3.08)	2.80	3.90	4.00	2.65
Yangsan Plant	High(3.80)	3.80	2.50	3.88	2.41	Low(2.55)	2.20	3.90	3.00	3.35
Yeongdeungpo Plant	Medium(3.38)	3.90	3.00	3.38	2.47	Medium(2.84)	2.60	3.90	3.00	3.60
Jeungpyeong Plant	High(3.85)	3.85	3.00	3.88	2.84	Medium(2.71)	2.20	3.90	4.00	3.60
Cheonan Plant	High(3.50)	3.85	3.00	3.50	2.84	Medium(2.67)	2.40	3.90	3.00	2.90
Cheongju Plant	High(3.85)	3.85	3.00	3.88	2.84	Medium(2.71)	2.20	3.90	4.00	3.60
Pyeongtaek Plant	High(3.50)	3.85	3.00	3.50	2.84	Medium(2.67)	2.40	3.90	3.00	2.90
Poseung Plant	High(3.50)	3.90	3.00	3.50	2.47	Medium(3.08)	2.80	3.90	4.00	2.65
Hoengseong Plant	Medium(3.40)	3.40	2.50	4.25	2.78	Low(2.59)	2.60	2.95	2.00	3.60
Delica No. 1 (Yongin)	High(3.50)	3.85	3.00	3.50	2.84	Medium(2.67)	2.40	3.90	3.00	2.90
Delica No. 2 (Pyeongtaek)	High(3.50)	3.85	3.00	3.50	2.84	Medium(2.67)	2.40	3.90	3.00	2.90
Delica No. 3 (Busan)	High(3.80)	3.80	2.50	3.88	2.41	Low(2.55)	2.20	3.90	3.00	3.35
Delica No. 4 (Gwangju)	High(3.85)	3.85	3.00	3.88	2.47	Medium(2.70)	2.40	3.90	3.00	3.60
Belgium	Medium(2.88)	3.83	2.50	2.88	2.44	Medium(2.92)	2.50	3.00	5.00	2.50
India	High(3.88)	4.35	3.50	3.88	2.94	Very High(4.24)	4.20	3.90	5.00	3.20
Myanmar	High(3.83)	3.83	3.00	4.00	3.09	Low(2.46)	2.30	4.00	2.00	2.95
Kazakhstan	Medium(3.38)	3.38	2.50	3.50	2.69	Medium(2.99)	2.70	3.00	4.00	3.95
Russia	Medium(3.00)	3.00	2.00	3.88	2.59	Very Low(1.38)	1.00	2.95	1.00	4.60
Pakistan	High(4.00)	4.25	3.50	4.00	2.53	High(3.84)	4.00	3.90	4.00	1.00
China	High(3.88)	4.23	3.00	3.88	2.88	High(3.90)	3.90	2.95	5.00	2.50

The assessment results indicated that LOTTE WELLFOOD's domestic production plants in six locations (Busan, Yangsan, Jeungpyeong, Cheongju, Delica 3, Delica 4) and overseas plants in four countries (India, Myanmar, Pakistan, China) have both high dependence on and significant impacts on local ecosystems. Particularly, plants in India, Pakistan, and China showed high dependence on natural capital supply, while Hoengseong plant faced high exposure to natural disasters, highlighting the need for efforts to maintain a sustainable value chain. Regarding water risks, most plants were assessed at a low to medium level. However, plants in India, Pakistan, and China exhibit high dependence on water, raising concerns about potential damage to the value chain, necessitating separate management plans. Moving forward, LOTTE WELLFOOD will comprehensively review identified risks and actively pursue activities to reduce biodiversity and water-related physical risks. In this process, opportunities for creating new initiatives will also be explored.



### Prepare: Preparation of response and disclosure

LOTTE WELLFOOD has conducted assessments of natural capital dependence and impact primarily focusing on its production plants where direct business activities take place. Based on these assessments, potential risks and opportunities were identified, leading to the establishment of goals and management plans. In compliance with the recommendations outlined in the "Task Force on Nature-related Financial Disclosures (TNFD)" released in September 2023, LOTTE WELLFOOD plans to extend evaluations and analyses across entire value chain. Furthermore, the company intends to monitor domestic biodiversity-related laws and regulations to reflect the results in business activities and establish a disclosure system.

PERFORMANCE

2

# WELLNESS FOR SOCIETY



### Why Important?

Continuous communication and cooperation with local communities are crucial elements in fulfilling a company's social responsibilities. Additionally, safety issues in the workplace can lead to significant financial losses as well as damage to brand image and reputation, highlighting the need for active participation and practice by employees to establish a robust safety and health culture. Transparent and clean supply chain management is essential for sustainable raw material procurement. With the recent approval of the EU's Corporate Sustainability Due Diligence Directive (CSDDD), the necessity for managing environmental and social impacts within the global supply chain has become even more critical.

### How we manage?



### What are results?



**Social contribution expenditure**  
(Unit: KRW in billions)

9.4



**Cumulative number of beneficiaries from social contribution**  
(unit: 10,000 people)

762



**Safety and health improvement completed**  
(unit: cases)

1,599

# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## Securing and Cultivating Talent

### Talent Cultivation Strategy (Education System)

LOTTE WELLFOOD is nurturing talents equipped with expertise and leadership who can adapt to the rapidly changing business environment through various talent development strategies. The company provides structured education programs, such as Generalist and Specialist courses, and fosters innovation, challenges, and entrepreneurial spirit among employees through in-house venture systems and empathetic leadership programs. Initiatives like MBA programs, overseas internships and exchanges, and personalized education courses contribute to enhancing employees' job capabilities. For employees aged 50 and above, education programs for career exploration and life planning post-retirement are offered. In 2023, a pilot program was conducted with a small group to develop suitable educational content. Starting in 2024, those will be mandatory for all employees reaching the age of 55.

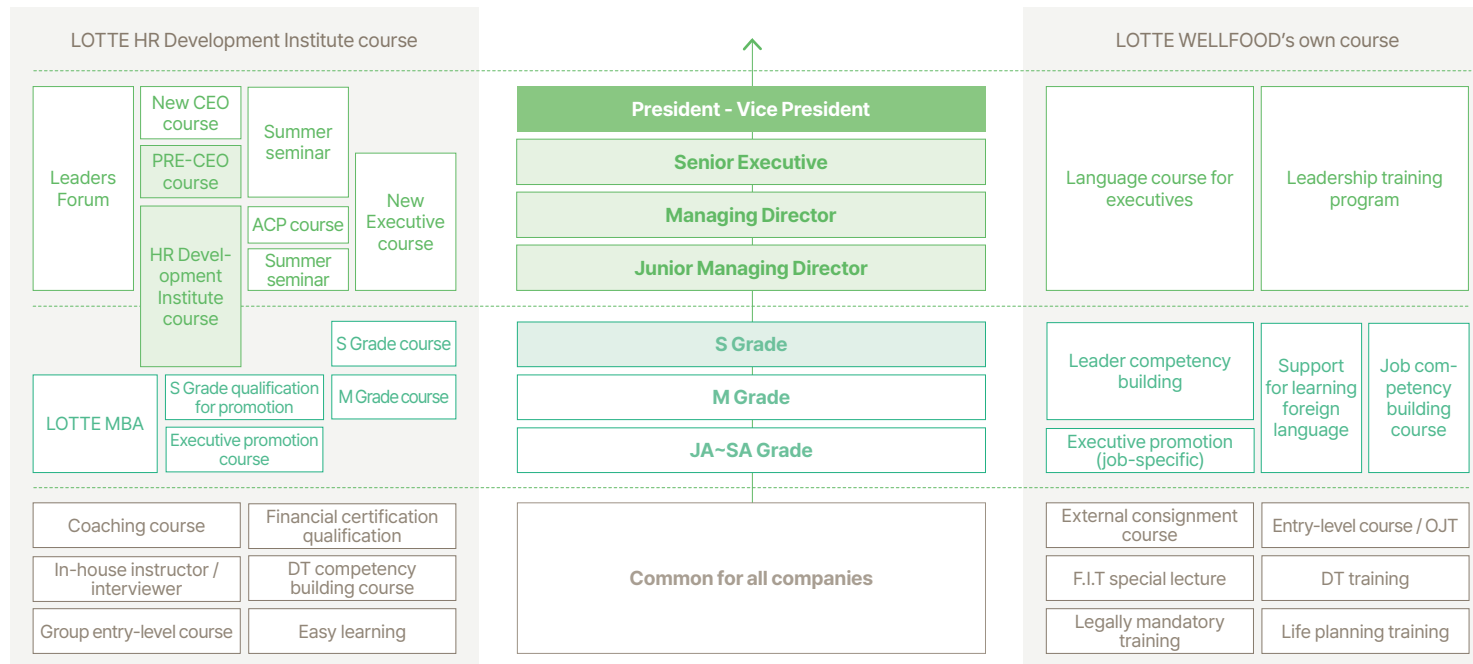


Life planning training

### Internal Recruitment & INCareer

The internal recruitment system at LOTTE WELLFOOD provides employees with the autonomy to choose roles that align with their abilities and preferences, which facilitates flexible and smooth personnel allocation across departments. Through this system, employees can select tasks that match their skills and interests, enabling the company to deploy the best-suited talent for each role. This system also supports employees' capability development and career planning to foster their engagement and creativity, which in turn contributes to personal growth and enhances the overall competence of the company. Since 2022, Lotte Group has been operating the career development platform "INCareer," which allows for position transfers between subsidiaries, supporting employee-driven career development and growth.

### Education System



### ESG Training

LOTTE WELLFOOD has conducted ESG training for non-executive directors and working staff at the headquarters and Yeongdeungpo plant. In July 2023, over 250 employees attended training sessions on environmental management and the concepts and strategic frameworks of sustainability management. In August 2023, non-executive directors received training on climate disclosure and the role of the board in ESG management. Through these programs, non-executive directors have strengthened their understanding of the direction and value creation of ESG management, while working staff have developed the capability to apply ESG strategies in their work.



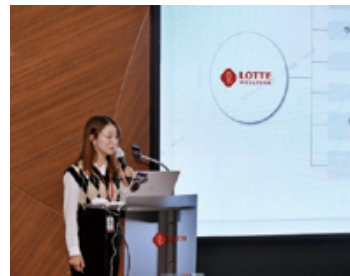
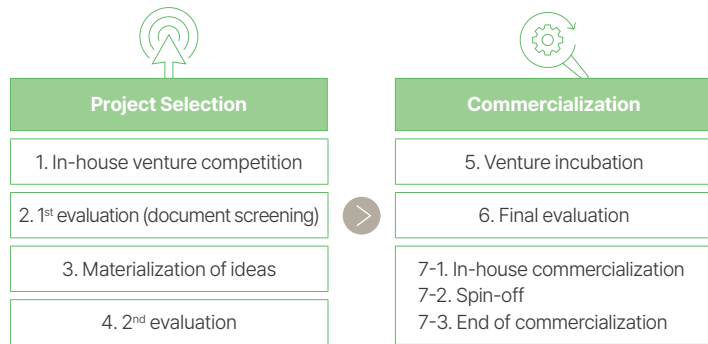
ESG Training

# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## In-house Venture

Since 2021, LOTTE WELLFOOD has been operating an in-house venture program to promote the commercialization of employees' startup ideas. This program offers a range of benefits, including up to KRW 100 million in funding, external office space, one-on-one consulting by experts, opportunities for spin-off, and equity investment. Even in the event of business failure, the program guarantees incentives and the opportunity to rejoin the company within six years, actively encouraging employees to pursue new market opportunities.

### In-house Venture Operation Process



In-house venture value match




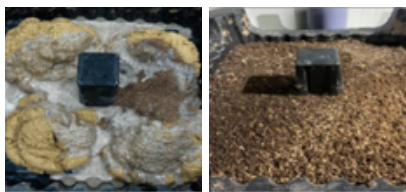
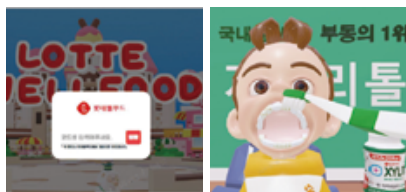
Open Innovation Pitching Day

## Open Innovation<sup>1)</sup>

In 2023, LOTTE WELLFOOD collaborated with the Busan Creative Innovation Economy Center, a startup support organization under the Ministry of SMEs and Startups, to conduct the B.Startup Open Innovation Challenge. Out of over 50 participating companies, three promising startups with innovative ideas related to ESG and Digital Transformation (DT) initiatives were selected. These startups collaborated with relevant departments at LOTTE WELLFOOD to share business directions and technology application methods. They underwent on- and offline Proof of Concept (PoC) stages and successfully concluded the B.Startup Open Innovation Challenge 2023 Pitch Day for subsequent growth support. LOTTE WELLFOOD will continue to discover new future food products by creating a win-win cooperation model with innovative and creative startups through active open innovation activities.

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

### 2023 Open Innovation PoC Results

Company Name	Ocean Platform	Nutri Industry	Twin Cosmos
Business Item	Operation of <Safeean>, a food safety information service using blockchain	Possessing a food waste recycling solution using insects	A company specializing in brand marketing and corporate promotion through metaverse technology
Collaboration	Introducing the service to Pasteur Milkbar's 34 branches nationwide to provide premium raw material information through QR code tags	Test for biscuit, bakery, and ice cream waste	Establishing LOTTE WELLFOOD metaverse (brand promotion and mini games)
			
Future Plans	<ul style="list-style-type: none"> <li>Continuous service operation at Pasteur Milk Bars nationwide</li> <li>Use of &lt;Safeean&gt; in Pasteur product marketing</li> </ul>	<ul style="list-style-type: none"> <li>PoC completion</li> </ul>	<ul style="list-style-type: none"> <li>PoC completion</li> </ul>

# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## Improving Employee Satisfaction on Life

### Work-Life Balance

LOTTE WELLFOOD has established various institutional measures to ensure a work-life balance for its employees, centered around the themes of "self-development, convenience in daily life, and family love."

### Self-development

The company ensures employees' right to adequate rest, supporting them to approach their work with a healthy body and mind.

Vacation	Leave of absence	Medical support	Reward
<ul style="list-style-type: none"> <li>Regular vacation</li> <li>Anniversary holiday</li> <li>Healing day</li> <li>Global discovery vacation</li> </ul>	<ul style="list-style-type: none"> <li>General leave of absence</li> <li>Self-development leave of absence</li> <li>Sick leave of absence</li> </ul>	<ul style="list-style-type: none"> <li>Medical checkup</li> <li>Group insurance</li> </ul>	<ul style="list-style-type: none"> <li>Long-term service award</li> <li>Retirement gift</li> </ul>

### Convenience in Daily Life

To prevent long working hours and improve work efficiency, LOTTE WELLFOOD has implemented a PC on/off system that automatically shuts down business computers. Employees leave one hour early every Friday, and flexible work arrangements such as staggered working hours (flexible working hours) are in place to support a balanced life for employees. Additionally, the Healing Day program is held on the third Friday of every month.



Healing Day program

### Family Love

LOTTE WELLFOOD had obtained the excellent family-friendly company certification from the Ministry of Gender Equality and Family in 2014 and renewed the certification in December 2022. To prevent career disruption of female employees due to pregnancy, childbirth, and childcare, the company operates a parental leave system. Since 2017, parental leave has been available to male employees as well. Moreover, our family event support program aids employees in alleviating both psychological and financial burdens.



Certification on excellent family-friendly company (validity period: Dec. 01, 2022–Nov. 30, 2025)

### Welfare Benefit Programs

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

### Workplace Where You Want to Work

LOTTE WELLFOOD fosters employee engagement and concentration by creating an autonomous and horizontal work environment. For instance, working at workspaces in over 30 shared offices across the metropolitan area helps employees' convenience in commuting and the introduction of autonomous seating system and encouragement of telecommuting enhance the flexibility of work environments. In addition, the company actively promotes internal club activities to facilitate interaction among employees. As of the fourth quarter of 2023, a total of 58 clubs pursuing common interests such as culture, sports, and hobbies are operating with participation from 1,284 employees.



In-house club activities

### Employee Grievance Handling System

LOTTE WELLFOOD operates various programs to help employees address challenges in work, life, and psychological aspects. For new hires, the company provides internal mentorship and buddy matching programs, as well as monthly activity expense support, to facilitate quick integration into the organization. A welfare system guidebook introducing integrated and newly launched after the merger is also available post-merger. Psychological counseling through professional institutions has been provided frequently and in 2022, the coverage was expanded to employees' families. In 2023, psychological counseling program was provided to 116 individuals, totaling 849 sessions.

# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## Establishing a Company-wide Safety and Health System

### Safety and Health Management Vision

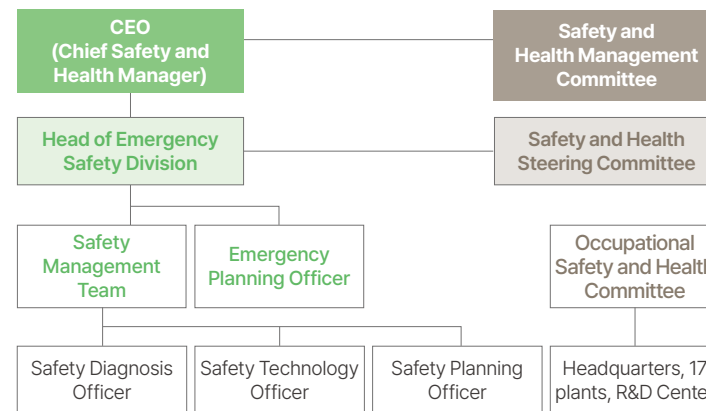
LOTTE WELLFOOD has set safety and health as the top priority in corporate management under the vision of "Contributing to human happiness, health, and wellness." We strive to provide a safe and pleasant working environment for all employees and suppliers and improve occupational health and safety.



### Safety and Health Management Governance

LOTTE WELLFOOD designates the CEO as the company-wide head of safety and health management and strengthens the governance of safety and health management through the Emergency Safety Division, a dedicated organization for company-wide safety and health. In addition, we are operating the Occupational Safety and Health Committee (quarterly), Safety and Health Steering Committee (quarterly), and Safety and Health Management Committee (biannually), and an organization dedicated to safety is operating at all business sites.

### Safety and Health Management System



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

### Establishment of Safety and Health Management System

LOTTE WELLFOOD became the first in the confectionery industry to achieve ISO 45001 certification (safety and health management system) for its headquarters and seven factories in December 2021. Following the merger in February 2023, the certification for all former LOTTE FOOD and its subsidiaries' factories, as well as the LOTTE R&D Center, was renewed at the corporate level. All 5,454 employees and outsourcing workers at LOTTE WELLFOOD are covered under the occupational health and safety management system.

\* 1,240 employees of Lotte People Networks who work outside the workplace subject to ISO 45001 are excluded.



ISO45001 Certificate of Registration

# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## Safety and Health Activity

### Safety and Health Inspection Activities

In the safety and health inspection conducted across domestic and overseas business sites in 2023, a total of 1,636 risk factors were identified, marking a decrease of 558 compared to the previous year. Among these, 1,599 factors, which account for 98%, have been fully addressed, while efforts are ongoing to improve the remaining 37 factors. Through continuous safety assessments and improvements, the number of safety incidents decreased from 73 in 2021 to 43 in 2023.

### Safety and Health Inspection Result in 2023 (Unit: cases, %)

Classification		Risk Factor	Completion of Improvement	Improvement Rate	Remarks
Domestic sites	Head Office	41	41	100	Improvement of 37 factors are underway.
	Production HQ	628	612	97	
	Sales HQ	783	783	100	
	Logistics Center	93	72	77	
	R&D Center	53	53	100	
	Subtotal	1,598	1,561	98	
Overseas sites	Belgium	12	12	100	
	Myanmar	26	26	100	
	Subtotal	38	38	100	
<b>Total</b>	<b>1,636</b>	<b>1,599</b>	<b>98</b>		

### Excellent Improvement Cases in 2023

Classification	Before Improvement	After Improvement
Installation of protective devices such as external control of hazardous facilities and interlocks	Risk of serious worker accident due to arbitrary entry into stacker crane area within logistics warehouse	Elimination of the risk of worker accidents by relocating safety fences, interlocks (protective devices), and control panels to the outside.
Compliance with Lock-out Tag-Out (LOTO) procedures	Risk of trapped accident when other workers operate the equipment due to failure to perform LOTO procedures during equipment inspection and maintenance	Prevention of trapped accident by complying with the LOTO procedure (power off before work, locking measures, attaching no-operation tag).
Establishment of a fire detection system using radio frequencies	Failure to initial response in the event of a fire due to the absence of a detection system in fire-vulnerable areas such as containers, hazardous materials warehouses, and smoking areas.	Early response to fire by establishing a fire detection system using radio frequencies

### Major Safety and Health Indicators

Classification	Unit	2021	2022	2023	
Occupational accident rate	%	0.30	0.22	0.33	
Number of occupational accidents	Accident	Cases	11	14	20
	Disease	Cases	2	1	2
	Subtotal	Cases	13	15	22
Total working hours	1,000 hours	8,847	13,644	14,497	
Lost Time Incident Rate (LTIR)	-	0.30	0.22	0.30	

### Major Action Plans in 2024

#### Safety



- Promote activities to eliminate risk factors, such as inspections and risk assessments reflecting the characteristics of the workplace
- Establish safety management process during large-scale construction work (\*Pyeongtaek, Gimcheon, Cheonan, Suwon, Gwangju, Incheon RDC)
- Secure safety and health management system (ISO45001) certification for overseas subsidiaries (Lotte India Chennai, Haryana factory)
- Operate a community for working staff related to the Serious Accident Punishment Act

#### Health



- Improve processes with potential risk of musculoskeletal disorders (automation of heavy manual work processes, standardization of specifications of assistive devices required for heavy work, etc.)
- Actively improve on-site health obstacles (hazardous chemicals, noise, etc.)
- Operate own ambulance to strengthen the emergency transport system and secure golden time in the event of an emergency situation at workplace
  - Introduced the system to Pyeongtaek Plant and Yangsan Plant in April 2024

#### Firefighting



- improve facilities vulnerable to fire risk and supplement measures to prevent fire spread due to hazardous facilities adjacent to workplace
- Establish safety work guidelines for firefighting equipment and a training system based on scenarios by each disaster type
- Operate a fire safety manager competency improvement program (training commissioned to the Disaster Prevention Testing Research Institute, etc.)

# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## MOU with the Ministry of Employment and Labor

LOTTE WELLFOOD signed a business agreement with the Seoul Regional Employment and Labor Administration in April 2023 to promote a safety-conscious culture. Since then, we have been actively implementing campaigns to integrate safety into daily life for employees and consumers. These efforts resulted in winning the commendation from the Director of Seoul Regional Employment and Labor Administration in December 2023 which is awarded to outstanding companies in safety management campaigns.

**Cumulative effect of safety management campaign**  
(As of December 31, 2023)

**Total number of people exposed to safety slogans**

**35 million**  
(estimated on cumulative basis)

### Safety Management Campaign

Safety Campaign	Safety Slogan	Exposure Effect	Start Date	Expected number of people exposed (persons)
Anytime (candy)	"Refreshing and safe anytime, anywhere"	808,000 bags	Jun. 23	808,000
Pasteur Fresh 900 (Milk)	"Healthy daily life with a glass of milk, healthy workplace with safety practices, safety culture practice promotion group"	1,412,000 bottles	Aug. 04	1,412,000
Monthly Snack	"Carrying safety and spreading happiness"	22,000 boxes	May 19	22,000
Lotte Food Mall		45,000 boxes	May 15	45,000
Lotte Sweet Mall		18,000 boxes	Jun. 28	18,000
Kokkal Corn		2,150,000 boxes	May 26	21,500,000
Commercial delivery vehicles (454)	"Let's follow traffic laws and work safety rules together."	Cumulative 52,000 units	May 15	10,400,000
LED display board (9 business sites)	"Hurry quickly NO, safely YES, be safe before it gets dangerous"	Cumulative 1,422 times	May 04	284,400
X-Banner (19 business sites)		Cumulative 2,717 times	May 29	543,400

## Expanding Occupational Health Services

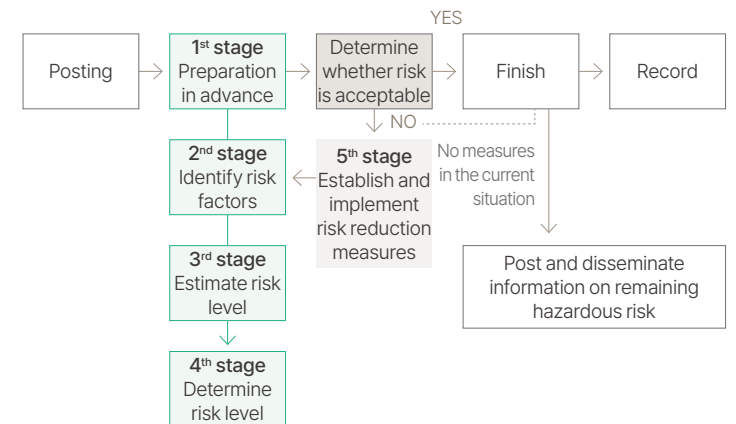
LOTTE WELLFOOD is expanding its occupational health services to enhance health management and promotion within workplace. Health management offices, staffed by health managers, provide first aid and health consultations. Additionally, the company supports employees to manage their health proactively through various wellness programs, including smoking cessation programs, fitness competitions, and professional psychological counseling.

## Safety and Health Training

Quarterly regular safety and health training is conducted for all employees at LOTTE WELLFOOD. Special safety and health training related to high-risk tasks is provided continuously to facility safety managers in each plant with high exposure to risks during work. Risk assessment training is given to ISO 45001 compliance managers in each department, and supervisory training is provided to safety managers and senior staff at all plants. These training programs contribute to continuously enhancing the safety and health awareness of all employees.

## Risk Evaluation Process

LOTTE WELLFOOD conducts an annual company-wide risk assessment to identify and mitigate potential hazards in the workplace. This process helps employees recognize and eliminate potential risks, fostering a proactive approach to safety and health management. Through this initiative, employees develop a heightened awareness of occupational health and safety and actively participate in creating a safer working environment.



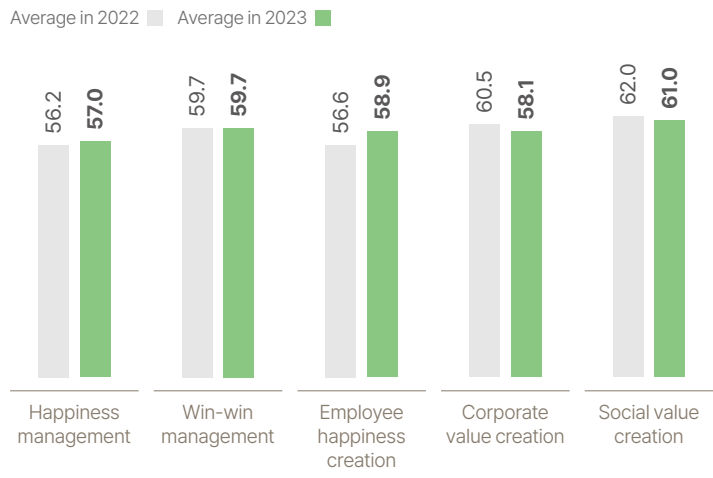
# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## Human Rights Management

### Culture of Employee Value Creation

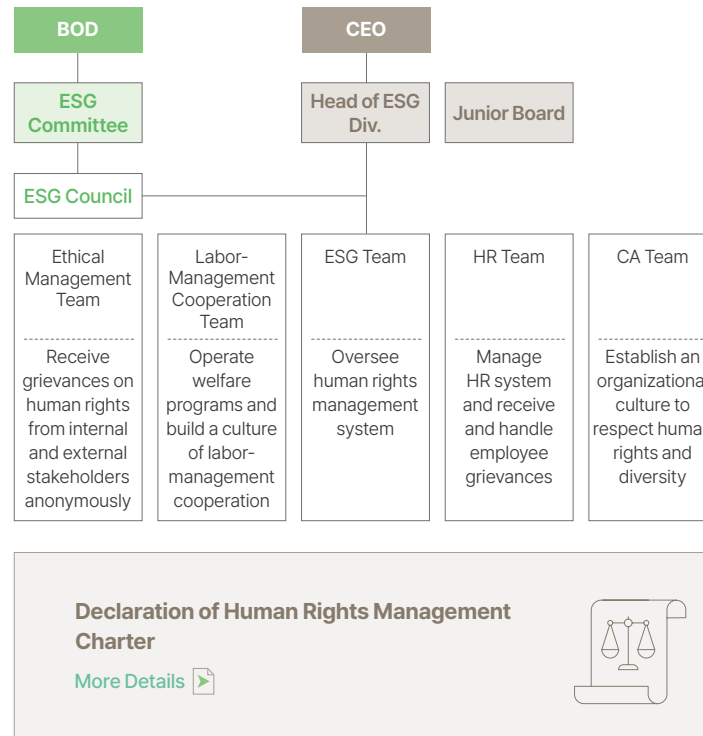
At Lotte Group, human rights management is a core standard for creating a culture that focuses on three fundamental values for sustainable growth: employee happiness, corporate value, and social value. LOTTE WELLFOOD conducts annual assessments to gauge employees' awareness of the company-wide value creation culture and seeks continuous improvement in areas that need enhancement. In the value creation culture assessment conducted in September 2023, 1,490 employees (70.6%) participated, and the overall index score was 73.8, an increase of 1.1 points compared to the previous year. Notably, there was an increase in positive responses in the indicators for creating social value and win-win management. As a result of in-depth analysis, employees' satisfaction with respect and sense of organizational unity was high, which showed that human rights in the organization is well respected.

### Value Creation Culture Assessment (Unit: %)



### Human Rights Management System

LOTTE WELLFOOD has been fostering an organizational culture that respects human rights. To prevent human rights violations and respond promptly if they occur, we ensure swift collaboration among relevant departments. The ESG Committee is responsible for reviewing, deciding, and approving strategies and key matters related to human rights within the company. Meanwhile, the ESG Council handles practical work when making company-wide decisions concerning human rights.



**Declaration of Human Rights Management Charter**

[More Details](#)



### Healthy Labor-Management Relationship

LOTTE WELLFOOD holds annual delegate meetings to reconcile differences between labor and management and improve labor-management culture by establishing various communication channels. As a result of these efforts, we were selected as an excellent company for labor-management culture by the Ministry of Employment and Labor in 2019, and we maintained our status as an excellent company in 2022. The qualification will be continued to 2025.



2022 Best Labor-Management Culture Enterprise

### Collective Agreement

LOTTE WELLFOOD guarantees workers' rights by applying the results of collective bargaining agreements to unionized employees and non-unionized employees. As of 2023, 74% of all employees were covered by collective bargaining agreements. For other employees who are not eligible for unionization, we determine working conditions and employment terms through the provisions of the Employment Rules.

Classification	Unit	2021	2022	2023
Total number of employees	Persons	4,349	6,795	6,694
Employees subject to union membership	Persons	3,083	5,020	4,964
Number of union members	Persons	1,693	2,604	2,605
Collective agreement application rate <sup>1)</sup>	%	71	74	74
Union membership rate <sup>2)</sup>	%	55	52	52

1) Number of employees subject to union membership / total number of employees

2) Number of union members / number of employees subject to union membership

# WORKPLACE RESPECTING SAFETY, HUMAN RIGHTS, AND DIVERSITY

## Junior Board

Since 2021, LOTTE WELLFOOD has been operating the Junior Board, composed of young employees born in the 1990s, directly under the CEO. All employees can present issues or opinions related to work and organizational culture through the internal bulletin board "Well Tree Forest." The submitted opinions are conveyed directly to the CEO during the monthly Junior Board meetings. In 2023, a total of 70 opinions were received, and solutions were found, and improvements completed for 51 of them.

**Implementation of company-wide survey** • Collection of opinions on the company's direction and establishment of a new organizational culture desired by executives and employees after the merger

**Launch of 'Well Tree Forest' bulletin board** • A bulletin board where employees can anonymously share their opinions on overall company operations  
• When a certain number of 'likes' are obtained, the CEO and related departments discuss improvement directions at regular meetings.



Junior Board

## Diversity and Non-discrimination

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

### Female Employee Status

Classification			Unit	2021	2022	2023
Ratio of femal employees			%	38.5	40.5	41.0
Managers	Female	Persons		73	94	87
	Male	Persons		401	646	642
	Total	Persons		474	740	729
Ratio of female			%	15.4	12.7	11.9
Executives <sup>1)</sup>	Female	Persons		2	7	5
	Male	Persons		34	46	47
	Total	Persons		36	53	52
Ratio of female			%	5.6	13.2	9.6
Female employees in profit-generating organizations <sup>2)</sup>	Female	Persons		1,518	2,526	2,492
	Male	Persons		2,355	3,606	3,499
	Total	Persons		3,873	6,132	5,991
Ratio of female			%	39.2	41.2	41.6

1) Non-registered executives

2) Departments related to sales, production and marketing

### Workplace for the Disabled

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

### Employment of People with Disabilities<sup>1)</sup>

Classification		Unit	2023
LOTTE WELLFOOD		Persons	98
Subsidiary	Sweet With	Persons	75
	Food With	Persons	40
<b>Total</b>		<b>Persons</b>	<b>213</b>
Employment rate of disabled employees		%	3.1

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

# PRODUCING HEALTHY AND CLEAN PRODUCTS

## Healthy and Safe Product Development System

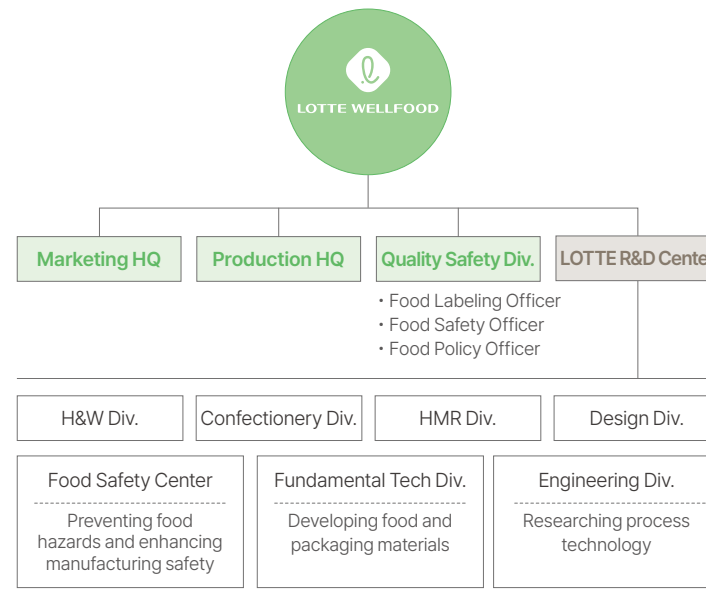
LOTTE WELLFOOD's sustainable growth is based on consumer trust in healthy and safe products. To provide products that consumers can enjoy with confidence, we have implemented a food safety system and established a governance structure for product development. Additionally, we are enhancing the accessibility of product information to support consumers in making informed purchasing decisions.

### Food Safety System

LOTTE WELLFOOD introduced FSSC22000 (Food Safety Management System) and ISO22000, which are food safety standards approved by the Global Food Security Index (GFSI), in 2012 to manage quality according to international standards, and currently holds certifications for all factories except LOTTE Fresh Delica No.2. The Quality & Safety Department conducts annual certification renewal audits through the person in charge of each plant. Through the audits, we manage hazardous factors and undergo periodic inspections by the departments in charge. In addition, we signed a business agreement with AIB International in March 2023 to strengthen our partners' quality and safety capabilities. The U.S. food hygiene inspection agency has about seven times more inspection items than domestic HACCP certification and strict inspection standards based on on-site due diligence. In 2023, we supported the hygiene practices of suppliers through 71 hygiene inspections across 69 companies. These efforts contribute to improving the hygiene standards and quality competitiveness at each production site, ensuring that consumers receive safe and reliable products.

### Product Development Governance

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



### Display Text Change Business Process

- 1 Establishment of quality improvement plans
- 2 Confirmation of need to change display text
- 3 Guidelines for display text change / checklist (if necessary)
- 4 Change of display text
- 5 Shipment (consumer distribution)

### Activities to Comply with Labeling Responsibilities

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

### Legal Monitoring Process

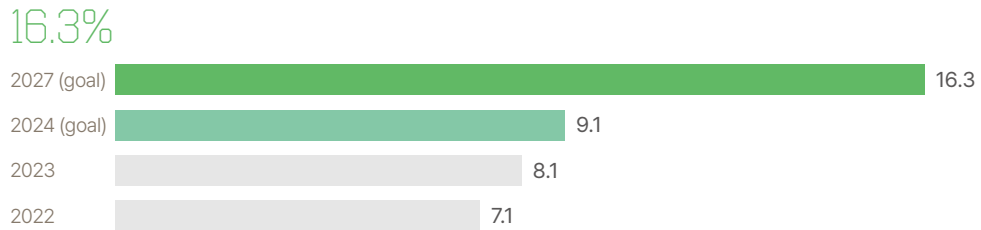
- 1 Enactment and revision of food-related laws and guidelines
- 2 Monitoring of our applications by Quality Safety Div.
- 3 Distribution to relevant organizations
- 4 Reflection of needs in products

# PRODUCING HEALTHY AND CLEAN PRODUCTS

## Health and Wellness

LOTTE WELLFOOD has established health and wellness as a key agenda for our business operations and focuses on nurturing brands and products considering consumer health. We are pursuing wellness by strengthening our product lineup according to the mid-to-long-term agenda of nutrients, functionality, and botanicals and discovering various ingredients that can realize the health-oriented values of our customers. LOTTE WELLFOOD is strengthening alternative meat and ZERO brand, meeting consumers' needs for health and well-being. We also manage sustainability throughout the value chain by building a sustainable agricultural ecosystem and strengthening our eco-friendly and organic product lines. We aim to achieve a 16.3% share of total sales from our H&W product line by 2027. In the second half of 2024, we plan to establish an integrated H&W food brand.

Health & Wellness Agenda / Proportion of H&W Brand Sales (Unit: %)



Leap forward to become a sustainable food company by fostering Health & Wellness brands

**Gum**  
Develop Xylitol as a total brand for dental health

**Ice Cream**  
Nurture a premium wellness brand centered on Natur

**Processed Meat**  
Develop a processed meat brand, a source of delicious protein

**Dairy**  
Foster premium dairy product brands based on the nutritional value of milk

**Bakery**  
Cultivate a specialized health & wellness bakery brand

**HMR**  
Foster a health-oriented HMR brand

## Nutrition Management

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

## Product Nutrition Management Process

- 1 Product development: Designing nutrients based on domestic and international nutrition laws and guidelines (each division of LOTTE R&D Center)
- 2 Apply Safety Factors and Finalize Markings (Quality & Safety Division)
- 3 After the launch of the product: Monitoring to improve nutrition (Quality & Safety Division, Marketing Division)
- 4 Make adjustments and correct markings as needed (Quality & Safety Division)

# PRODUCING HEALTHY AND CLEAN PRODUCTS

## Expanding Raw Materials Beneficial to Health

**Easy Protein:** Easy Protein is a specialized protein brand with a message aimed at transcending the limitations of existing protein products and revolutionizing the market. In addition to the two existing protein drinks, a wider variety of products have been launched: three types of protein bars that reduce sugar and calories while increasing protein and dietary fiber; two types of high-protein potato chips baked to reduce fat content while preserving the potato flavor; and two types of high-protein ice cream, each containing only 99 kcal.



## Functionality

As consumer interest in health management grows, so does the desire to objectively verify the efficacy of products. Considering these market trends, LOTTE WELLFOOD has been expanding the release of products containing functional ingredients.

<b>Xylitol</b>	[Helpful for dental health] Obtained functional food labeling
<b>Quebyeon</b>	Containing 3,400 mg of inulin chicory extract (per bottle)

## Reduced Amounts of Ingredients of Concern for Overconsumption

**ZERO:** ZERO is a sugar-free dessert brand that uses alternative sweeteners instead of sugar, reflecting the concerns of consumers worried about excessive sugar intake. In 2021, various biscuit category products, including cookies and pies, were launched. Based on consumer surveys indicating high expectations for sugar-free ice cream, we have been expanding the ZERO ice cream lineup. In 2024, ZERO Lemon Mint and ZERO Peppermint candies were introduced.



**0 Calories:** In the ice cream market, the first-ever Screw Bar and Jaws Bar brands with zero calories have been launched. These products use natural sweeteners like allulose instead of sugar, ensuring zero calories and no increase in postprandial blood sugar levels, which will deliver new values to consumers.

**Uiseong Garlic Mild Taste:** Uiseong Garlic Mild Taste is LOTTE WELLFOOD's new product line under the representative processed meat brand "Uiseong Garlic Ham". Based on big data analysis and consumer surveys conducted over the past three years, feedback on reducing the salty taste has been incorporated into the development of three new products: bacon, Vienna sausage, and grilled pork belly ham. These products have reduced sodium content by up to 35% compared to previous offerings, while increasing the garlic content by up to 40%. Furthermore, these products do not contain three types of preservatives, including sorbic acid, enhancing their safety profile.



**The SALO:** Gluten is an insoluble protein mixture found in grains such as barley, rye, and wheat, which gives dough its elasticity and helps it rise. While generally harmless, gluten can be difficult to digest for some individuals with gluten sensitivity or allergies. In response, the company launched an integrated gluten-free rice snack brand, "The SALO," in August 2023. This brand has obtained Korean Gluten-Free Certification (KGFC) for gluten content verification and labeling. Following ongoing research and incorporating consumer feedback, the company introduced "The SALO SOFT" in March 2024. This new product features a smoother texture thanks to the inclusion of natural emulsifying stabilizers and nutrient-rich rice germ.



## Plant-based

In response to growing demand for products made from plant-based ingredients, driven by concerns over the environmental impact of livestock farming, animal rights protection, and the health benefits of consuming plant-based nutrients, LOTTE WELLFOOD is expanding its research and release of 100% plant-based products. This initiative aims to reduce the resource consumption associated with meat production and provide consumers with nutrient-rich plant-based options.

<b>Natuur</b>	Green Tea & Choco Nuts
<b>Zero Meat</b>	Vegetable Cutlet, Vegetable Nuggets, Vegetable Hamburger (original, mashed potato)

# ESG MANAGEMENT IN SUPPLY CHAIN

## Supporting Suppliers' ESG Management

LOTTE WELLFOOD's supply chain consists of upstream raw material and packaging manufacturers, as well as downstream distribution partners. The company supports all suppliers in actively participating in ESG management, thereby strengthening a sustainable supply chain.

### Code of Conduct for Suppliers

[More Details](#)



### Diagnosis on Suppliers' ESG Management

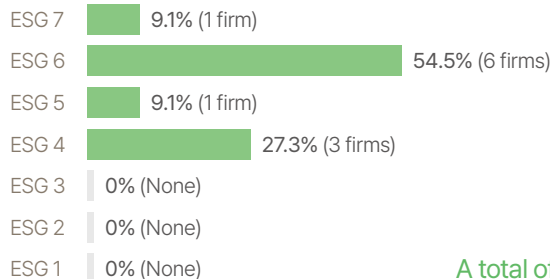
In 2023, LOTTE WELLFOOD established a sustainability diagnosis system for suppliers and selected 118 suppliers with transaction volume exceeding KRW 1 billion for an online diagnosis. Out of the 62 firms (52.5%) that completed the diagnosis, a comprehensive ESG diagnosis, including due diligence, was conducted for 11 firms (17.7%). We plan to increase the rate of due diligence up to 50% by 2030. Additionally, to enhance the efficiency of ESG diagnosis for suppliers, LOTTE WELLFOOD is considering providing incentives such as co-prosperity support.

#### ESG Diagnosis Process

- 1 Develop ESG assessment indicators
- 2 Guide basic training on ESG and assessment overview
- 3 Conduct online diagnosis
- 4 Deliver the diagnosis results
- 5 Conduct due diligence
- 6 Support due diligence results and improvement plan

#### ESG Management Level: Unsatisfied

Result: High level (grade 1, 2, and 3): None / medium level (grade 4 and 5): 4 firms / low level (grade 6 and 7): 7 firms



### Key Questions for Supplier ESG Diagnosis

Environmental Strategy	Operation of environmental organizations	Dedicated organization and person in charge, division of work	Employment	Employee communication	Labor-Management Council, Collective Agreement	
	Establishment of environmental strategy	Company-wide environmental management strategy and implementation plan		No forced/child labor or discrimination	Specified in company regulations, cases of discrimination	
	Operation of environmental education	Environmental education on energy, pollutants, etc.		Employment of vulnerable groups	Employment of disabled workers	
	Investment in environmental facilities	Investment in environmental facilities within the past 3 years		Social Contribution	Participating in volunteer activities	Volunteer activity history
Environmental Management	Environment-related certification	ISO 14001 and ISO 50001 certification	Education Management	Implementation of mandatory training	Prevention of sexual harassment, improvement of awareness of the disabled, privacy protection, etc.	
	Ownership of environmental patent rights	Patents related to environment and energy saving	Supply Chain	Quality management	ISO9001, KS certification, patent rights, etc.	
	Environmental certification	Environmental declaration, GR mark	Safety and Health	Management policy	Safety and Health Management Manual	
	Eco-friendly business	Eco-friendly business practice according to green classification system		Organization	Safety and health dedicated organization and division of work	
Purchase of eco-friendly materials	Purchase of eco-friendly raw materials	Risk assessment		Risk assessment by business site		
Environmental Performance	GHG emissions	Preparation of GHG emissions statement and reduction performance		On-site inspection and training	CEO's workplace visit and on-site inspection	
	Waste recycling and reduction	Waste discharge and treatment performance report	Hazardous materials	Establishing management procedures		
	Total resource usage and savings	Water usage management and reduction performance	Emergency planning	Emergency preparedness plan and emergency contact system		
	Environmental Control	Acquisition/renewal of environmental permits	Environmental permits required by law (air, wastewater, waste, etc.)	Serious disaster	Occurrence of industrial accidents and serious accidents	
Environmental material management		Management of hazardous chemicals and water pollutants, and waste disposal	Prize	Excellent safety and health management award		
Employment		Full-time worker management	Proportion of workers converted to regular workers	Management Stability	Tax liability	Exemplary Taxpayer Award
		Employment contract	Application of required items in employment contract	Ethical Management	Education	Ethical management training
	Compliance with the Labor Standards Act	Minimum wage, 52 hours a week, employment rules, etc.	Rule		Whistleblowing reporting system and whistleblower protection system	
	Employment environment	Family-friendly certification	Audit	Regular internal audits		
Information Security			Information security	Information security regulations related to establishing and processing personal information		

# ESG MANAGEMENT IN SUPPLY CHAIN

## Strengthening Supplier's Competency

### Supplier Training

#### LOTTE Safety Academy (LFSA)

LOTTE WELLFOOD, through the Food Safety Center at LOTTE R&D Center, has been conducting the "LOTTE Food Safety Academy (LFSA)" for 15 consecutive years to enhance the food safety management capabilities of small and medium-sized suppliers. LFSA consists of an introductory course for acquiring general background knowledge on food safety, theme-based advanced courses, and customized specialized courses for individual companies. In 2023, the program focused on practical topics such as food safety issues and regulatory trends, foreign matter reporting and investigation, HACCP practices, understanding the Food Code, and food labeling and advertising. Additionally, we became the first food company to provide free training to non-partner companies. In 2023, 143 out of the total 362 participants (approximately 40%) were from these non-partner companies. Moving forward, we plan to expand this free training for non-partner companies as part of our commitment to mutual growth within the food industry. In 2024, applications for LFSA can be submitted through the LOTTE R&D Center and Sangsaengnuri websites, regardless of whether the companies are in partnership with LOTTE Group.



Online LFSA

#### Shared Growth Workshop

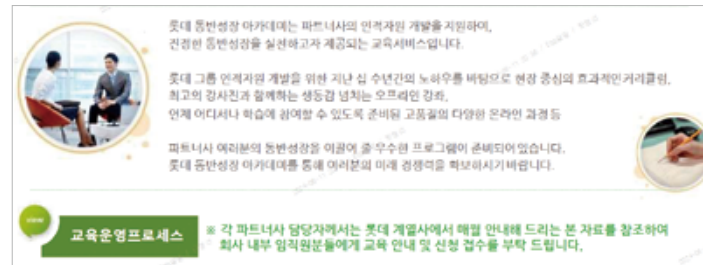
LOTTE WELLFOOD has held the workshop twice a year to enhance partnerships and promote shared growth with suppliers. In 2023, a total of 63 suppliers participated in the workshop and received training on stress management, quality, tax laws, and other relevant topics.



Workshop for shared growth in the first half of 2023

#### Shared Growth Academy

LOTTE WELLFOOD operates the Shared Growth Academy online throughout the year to help suppliers strengthen their employees. In 2023, the academy provided 109 training opportunities in various fields, including foreign languages, finance, IT, reading, and leadership, targeting 13 suppliers.



Shared Growth Academy

#### Safety Training for Suppliers

In September 2023, LOTTE WELLFOOD provided practical knowledge training on the Serious Accident Punishment Act, safety and health management systems, and risk assessment to 44 employees from 38 outsourcing partner companies. Additionally, the company offered a guide to support the establishment of safety and health management systems in small businesses with the aim of supporting their compliance with the Serious Accident Punishment Act, which will be extended to small businesses with fewer than 50 employees starting January 2024.



Safety Training for Suppliers (video meeting) Safety Training for Suppliers

#### Other Co-prosperity Activities

<b>Early payment for subcontractors ahead of holidays</b>	Early payment for subcontractors twice to improve the liquidity of partners
<b>Support for recruitment and job search</b>	Opened a corner to support partners' recruitment on the recruitment platform and encouraged them to use
<b>Concluding and spreading subcontract payment interlocking contracts</b>	Signed an agreement for self-promoting subcontract payment interlocking system
<b>FSM operation</b>	Monitoring of risk information through operation of integrated food safety management system for suppliers
<b>Distribution of monthly food safety magazine</b>	Monthly notification of food safety issues, policies, and laws to suppliers, advance notification of seasonal hazards, and sharing of management plans

# ESG MANAGEMENT IN SUPPLY CHAIN

## Shared Growth

### Shared Growth Promotion System

To enhance win-win cooperation with suppliers and ensure sustainable supply chain, LOTTE WELLFOOD supports technology, training, fund, workforce, welfare, and communication to suppliers. The Win-Win Support Council for suppliers, established in 2022, is comprised of 47 major suppliers and heads from relevant departments such as SCM, marketing, and compliance at LOTTE WELLFOOD to discuss collaboration, improvement areas, and co-prosperity support measures. Through the Shared Growth Workshop held twice a year, LOTTE WELLFOOD shares major issues for win-win cooperation with the representatives of suppliers and awards excellent suppliers in shared growth. In 2023, three suppliers were selected for their exceptional collaborative achievements in three categories of profitability improvement, claims reduction, and product idea, and KRW 100 million worth interest-free advance payment was conducted to each firm. These efforts led to LOTTE WELLFOOD achieving an excellent rating for the fourth consecutive year in the shared growth index evaluation conducted by the Korea Commission for Corporate Partnership in September 2023.

**Win-Win Support Council**

Production Strategy Div.	Marketing Div.	Quality Safety Div.
SCM Div.	Compliance Management Div.	Technology Innovation Div.

**Suppliers: 47 firms**

### Food Safety Consulting

In 2023, LOTTE WELLFOOD provided consulting on HACCP and Clean-in-Place (CIP) technology for manufacturing facilities to four ice cream production partners through the LOTTE R&D Center's Food Safety Center. This initiative supported the establishment of safety management standards tailored to each partner's characteristics, enhancing their food safety capabilities. Furthermore, it resulted in cost savings through reduced water usage in cleaning systems and increased productivity. The Food Safety Center continues to support ongoing education for partners by publishing CIP management manuals even after the consulting sessions.

### Financial Support

LOTTE WELLFOOD has operated a low-interest loan program for its SME partners since 2010 through a shared growth fund with IBK. As of the end of 2023, the fund was worth KRW 48 billion, and we are taking the lead in solving the financial difficulties of our partners.



Excellent partner award ceremony

### Industrial Innovation Movement (Technical Support)

LOTTE WELLFOOD has participated in the Industrial Innovation Movement, a program to support SMEs organized by the Korea Chamber of Commerce and Industry and the Korea Foundation for Corporation of Large & Small Business, Rural Affairs, since 2013. In 2023, we contributed KRW 100 million in funding for the Industrial Innovation Movement. The total number of partners supported by the Industrial Innovation Movement is currently 33, and we have been providing them with technology investment support for improving productivity, quality, and aged facilities.

Partner	Support	Improvement
H company	Introduction of automatic weight inspection equipment	Reduced inspection time by 50% (8 hours → 4 hours)
K company	Development of facilities within the line	Increased 100% in productivity per hour (25 bags/minute → 50 bags/minute)

### Support for Partners and Purchasing Amount

Classification		Unit	2021	2022	2023
Support for partners	Financial support	KRW in millions	27,000	48,000	48,000
	Technical support	Cases	29	29	39
Purchasing amount	All partners	KRW in millions	600,026	1,591,375	1,296,693
	Social economy enterprise	KRW in millions	0	0	0

# STRENGTHENING SOCIAL CONTRIBUTION AND COMMUNICATION

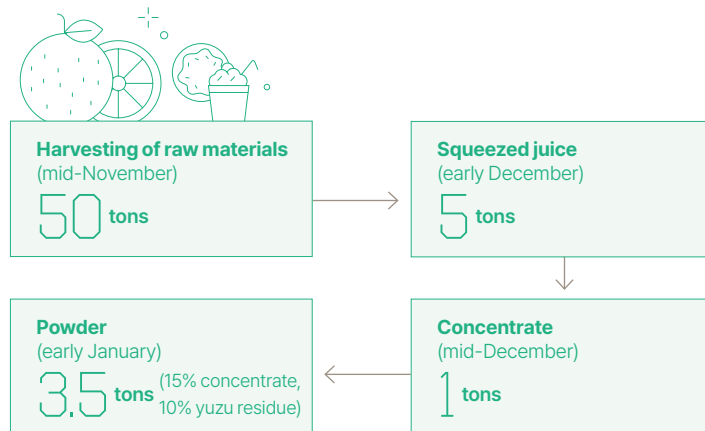
## Addressing Social Issues by Using Business Characteristics

As a general food enterprise, LOTTE WELLFOOD has been actively engaging in various social contribution activities aimed at creating a better world. We address health issues through continuous improvement of product nutrition and quality, manage environmental concerns by promoting eco-friendly packaging and the use of sustainable raw materials, and collaborate extensively to contribute to balanced development and growth in local communities.

### Building a Win-win Model with Local Communities

LOTTE WELLFOOD has been carrying out the "Win-win Project for Domestic Agricultural Products" with the aim of revitalizing domestic agricultural product consumption, starting with the initiative "Our Rice Pepero" in 2020. In March 2024, LOTTE WELLFOOD signed an MOU with Namhae-gun, Gyeongsangnam-do, and launched Pepero made with locally grown yuzu. We also collaborated with local small business owners operating dessert cafes and souvenir shops related to yuzu. Furthermore, we partnered with the Namhae Tourism Cultural Foundation to jointly conduct pop-up events for local promotion and supported the construction of "Happy Home No. 12" as part of community engagement efforts.

### Namhae Yuzu Raw Material Purchasing Process



### Win-win Project with Local Communities Based on Pepero



Pepero made with Namhae yuzu



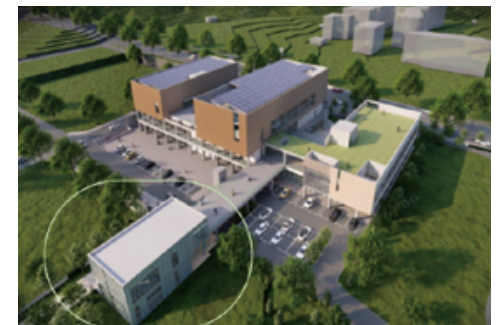
1. Signed a business agreement for mutual development



2. Sampling through collaboration with small business owners in Namhae



3. Pop-up events for local promotion with the Namhae Tourism Cultural Foundation



4. Construction of Happy Home No. 12 in Namhae-gun (planned bird's eye view)

# STRENGTHENING SOCIAL CONTRIBUTION AND COMMUNICATION

## Social Issue Solving Activity with Xylitol

### Healthy Teeth for Korea Project

Since signing the agreement with the Korean Dental Association in 2013 for the "Healthy Teeth for Korea Project," LOTTE WELLFOOD has been actively promoting a culture of healthy dental care. This includes monthly free dental check-ups and oral health education. In December 2022, we entered into a collaborative agreement with the Seoul Metropolitan Office of Education, Korean Dental Hygienists Association, and Cavity Prevention Research Society to support children's dental health. Starting from May 2023, they selected 44 exemplary kindergartens in Seoul for cavity prevention efforts, providing 88 sessions of experiential education to 4,600 children aged 3 to 5 years. In 2024, we plan to expand this education initiative, titled "SMART HABIT," to include elementary schools as well.



Education at Saeilmun Kindergarten



Dr. Xylitol Bus

SMART HABIT



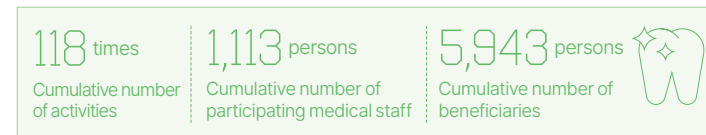
Dr. Xylitol Bus is coming



Xylitol Healthy Teeth Children Award

### Dr. Xylitol Bus is Coming

As part of the Healthy Teeth for Korea Project, the "Dr. Xylitol Bus is Coming!" campaign is a flagship social contribution initiative by LOTTE WELLFOOD that has been ongoing for 12 years since 2013. Supported by a portion of the proceeds from xylitol product sales, this campaign involves providing free dental care services once a month in medically underserved areas. After the dental care sessions, participants receive dental care kits and snacks, including xylitol gum. In March 2024, the campaign team visited Miam Elementary School in Yeongam County, Jeollanam-do, which has only 11 students. During this visit, the campaign team conducted activities and presented plaques and scholarships.



### Chewing Anti-Drowsiness Gum Campaign

According to the National Police Agency, drowsy driving over the past five years has resulted in twice as many deaths as drunk driving, with a particularly high proportion of accidents occurring on highways. In February 2024, LOTTE WELLFOOD, in collaboration with the Daejeon Chungnam Branch of the Korea Expressway Corporation, conducted a drowsy driving prevention gum-chewing campaign for travelers at rest areas. This campaign, ongoing for 12 years since 2013, involves distributing free "Anti-Drowsiness Gum" to drivers during peak travel periods such as holidays and vacation seasons to help prevent drowsy driving.



\* Based on price sold at dealerships

## Social Issue Solving Activity with Pasteur Products

### With Mom Maternity Makeover Campaign

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

### Pasteur With MOM School

"Pasteur With Mom School" is a program that operates parenting classes for pregnant and postpartum mothers. It offers expert lectures on safe childbirth and proper parenting including emotional prenatal music concerts, which are delivered through both online and offline channels.



With Mom Maternity Makeover Campaign



Pasteur With MOM School

# STRENGTHENING SOCIAL CONTRIBUTION AND COMMUNICATION

## Social Value Creation Activities

### Social Contribution Vision

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



### Social contribution program: Happy Dream



Happy Dream is a comprehensive support-based social contribution activity using a portion of the proceeds from “Pepero” sales to support disadvantaged children throughout their life cycles. Rather than being a one-time donation, this ongoing initiative aims to improve the quality of life for children from vulnerable groups. Reflecting the slogan “For better food & Happier life” newly launched in 2023, LOTTE WELLFOOD changed the campaign name from “Sweet Dream” to “Happy Dream.”

#### Happy Home

In partnership with Save the Children, an international NGO, LOTTE WELLFOOD has been building one Happy Home for children in rural areas every year since 2013 using proceeds from the sale of Pepero. In November 2023, LOTTE WELLFOOD built the 11th Happy Home “Public Gunnan Community Child Center” in Gunnan-myeon, Yeonggwang-gun, Jeollanam-do. This center provides a safe and nurturing environment where children can receive proper care and grow freely and healthily.

#### Happy Picnic

Beneficiary children from Happy Home program is invited to urban regions to have various cultural experiences, including tours of Lotte Group affiliates.

#### Happy Box

Beneficiary children from Happy Home program is invited to urban regions to have various cultural experiences, including tours of Lotte Group affiliates. Since 2013, LOTTE WELLFOOD has been donating a variety of its products to marginalized communities in collaboration with social welfare organizations such as the Community Chest of Korea, the Korean Red Cross, Save the Children, and Beautiful Store. In 2023, through the Happy Box program, products worth approximately KRW 1.8 billion were donated to social welfare facilities.

# STRENGTHENING SOCIAL CONTRIBUTION AND COMMUNICATION

## Uiseong Garlic Ham Family Camp

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



Uiseong Garlic Ham Family Camp



## Donation to Military Officers / 1 Company 1 Barracks

The 1 Company 1 Barracks program aims to boost military morale and strengthen civil-military bonds. Since November 2018, when LOTTE WELLFOOD signed an agreement with the 17th Infantry Division, the company has been donating its products to them. In July 2021, LOTTE WELLFOOD signed a business agreement with the Army Headquarters to support childbirth welfare within military units. In 2023, 5,316 cans of infant formula were donated to Army officer families expecting a child, along with Pasteur baby food and Platinum membership benefits from LOTTE FOOD Mall.



Donation to Military Officers



Remnants Collection

## Matching Grant Program (Remnants Collection)

Since 2016, LOTTE WELLFOOD has been running the "Love Sharing Endowment Campaign," a matching grant program in which employees voluntarily collect KRW 1,000 or less per month from their salary and the company contributes additional funds of the same amount. In 2023, around KRW 20 million was raised and donated to the Korea Pediatric Cancer Foundation. This fund was used to cover treatment costs for children diagnosed with cancer and intractable diseases, as well as to support programs aimed at enhancing their social skills.

## CharLOTTE Volunteer Group

LOTTE WELLFOOD's in-house volunteer club, "CharLOTTE Volunteer Group," comprised of 52 employees from LOTTE WELLFOOD's headquarters and Yeongdeungpo factory, visits local neighbors such as facilities for the disabled and childcare centers every month to volunteer and donate.



CharLOTTE Volunteer Group



# STRENGTHENING SOCIAL CONTRIBUTION AND COMMUNICATION

## Turn Toward Busan

November 11th is both the anniversary of the end of World War I and International Memorial Day for UN Veterans. In 2020, LOTTE WELLFOOD signed an agreement with the Nam-gu District Office of Busan and the Busan Regional Veterans Office to co-host the "Turn Toward Busan" event, an international memorial ceremony involving a one-minute silent tribute towards Busan, where the United Nations Memorial Cemetery is located, to honor the UN soldiers who fought in the Korean War. This event aims to promote the message of peace through Pepero. In 2023, Pepero gift kits, filled with gratitude, were sent to over 550 families of Korean War veterans from Canada, Germany, and India. Additionally, to promote the "Turn Toward Busan" event nationwide, special Pepero products featuring informational messages about the event will be sold year-round.



Turn Toward Busan

## Social Contribution Expense (Unit: KRW)

Classification	2021	2022	2023
Charitable contribution	6,005,990,885	7,692,910,306	5,170,198,660
Community investment	911,095,055	696,992,210	312,643,810
Commercial initiative	4,214,101,718	495,418,182	3,869,443,390
<b>Total</b>	<b>11,131,187,658</b>	<b>8,885,320,698</b>	<b>9,352,285,860</b>

\* Based on separate financial statements

## Cumulative Number of Beneficiaries from Major Social Contribution Activities (Unit: persons)

Classification	2022	2023	Cumulative (2010~)
Happy Home	302	321	2,044
Happy Picnic <sup>1)</sup>	-	20	228
Happy School	1,581	1,581	5,635
Dr. Xylitol Bus	618	407	5,943
Happy Box	645,880	716,395	7,134,435
Chewing Anti-Drowsiness Gum Campaign	28,800	31,944	467,920
Remnants Collection <sup>2)</sup>	2	1	13
With Mom Maternity Makeover	3	4	7
<b>Total</b>	<b>677,186</b>	<b>750,673</b>	<b>7,616,225</b>

1) Temporary suspension from 2020 to 2022 due to the COVID-19 pandemic

2) In the case of the Remnants Collection program, beneficiaries of the social skills improvement program for patients are excluded.

# STRENGTHENING SOCIAL CONTRIBUTION AND COMMUNICATION

## Customer Communication

LOTTE WELLFOOD is committed to reflecting social trends and consumer needs in its product development process. The company operates dedicated organizations and various communication channels to listen to consumer feedback attentively.

### Customer Communication Management System

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



### Customer Communication Channel

LOTTE WELLFOOD actively communicates with customers through various channels, including its website and various social media platforms. Through these channels, the company introduces product-related news and organizes diverse events where customers can experience and engage with products.

#### Instagram



#### YouTube & Blog



### Strengthening Consumer-oriented Portfolio

#### Hidden Supporters

Hidden Supporters is a college student marketing support program launched by former LOTTE FOODS in 2012 and has been integrated with former LOTTE CONFECTIONERY's Sweet Creator since 2022. Through the operation of this program, we are accepting the perspectives of MZ generation consumers who are alert to trends and creative by conducting content marketing, surveys, and interviews through SNS. Supporters who are very interested in the food industry are provided with opportunities to participate in new product proposals. We are providing an opportunity. Through the suggestions of the 24th Hidden Supporters, samples of new products from two brands, "Ghana" and "Mon Cher," were prepared. Afterwards, we are planning a project to commercialize product ideas that can actually be released.



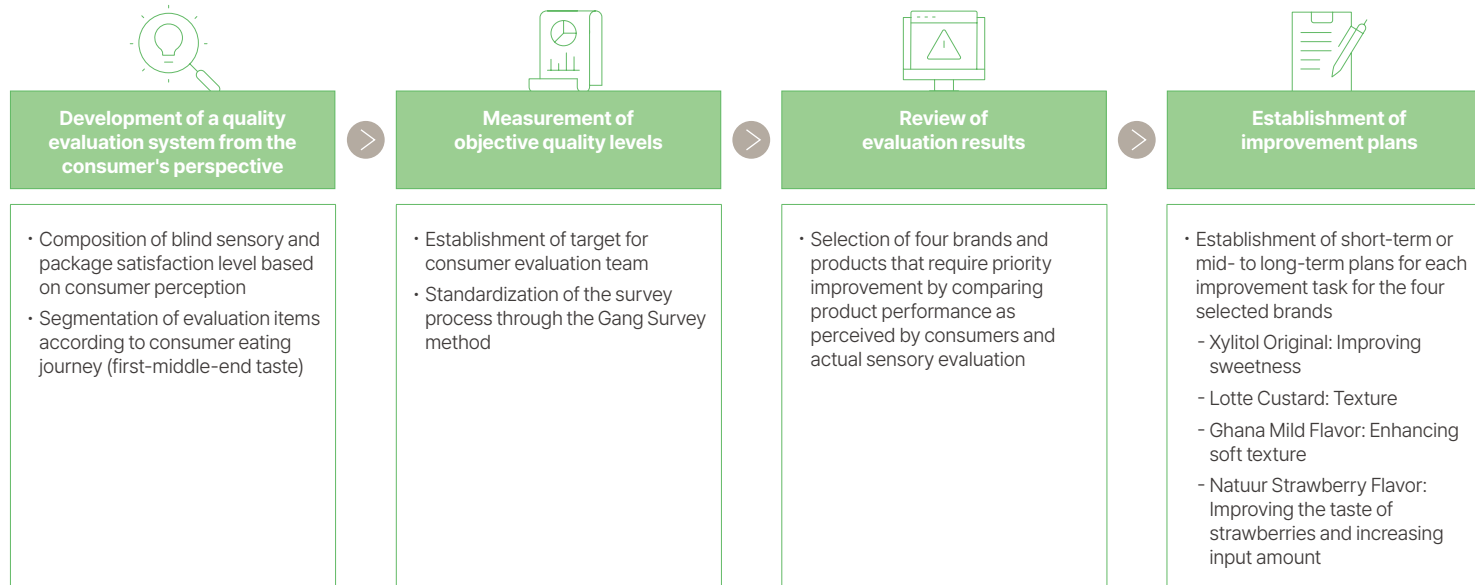
Hidden Supporters

# STRENGTHENING SOCIAL CONTRIBUTION AND COMMUNICATION

## Q Project

LOTTE WELLFOOD has been regularly evaluating product quality from the consumer perspective since 2023. The evaluation results are used to devise improvement strategies for quality and product appeal. In 2023, evaluations were conducted for a total of 14 products, leading to collaborative efforts with research labs to enhance texture, increase raw material inputs, and improve sweetness across four brands. The company plans to continue improving customer satisfaction on its brands and products through periodic quality assessments and enhancements every 2-3 years.

### Evaluation Process



## Customer Consultation Process

### Customer Consultation Treatment Procedure



### Customer Consultation Desk

Tel. 82-80- 024-6060	Customer Center Website	FAQ <a href="#">Go to</a>	Voice of Customer <a href="#">Go to</a>	Idea Proposal <a href="#">Go to</a>
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## Protecting Employees Dedicated to Customer Response

LOTTE WELLFOOD has established the employee protection regulation that include prohibitions and protective measures to safeguard the mental and physical health of employees dedicated to customer response. This regulation includes provisions for preventing job-related stress from emotional labor through education and awarding outstanding employees semiannually to enhance worker morale.

PERFORMANCE

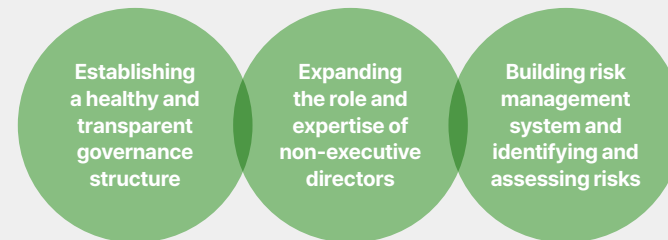
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# WELLNESS FOR COMPANY

## Why Important?

Governance is a key factor supporting the long-term growth and sustainability of a company. Sound governance enhances the ability to respond to uncertain situations, minimizes losses from internal and external risks, and increases transparency and accountability, thereby contributing to gaining trust. Companies are required to strengthen their ESG-based decision-making systems to meet the demands of various stakeholders and achieve sustainable growth.

## How we manage?



## What are results?



**Attendance rate to the BOD**  
(Unit: %)

96



**Investment in information protection**  
(Unit: KRW in billions)

2.37



**IR meetings held**  
(Unit: times)

9

# SECURING THE INDEPENDENCE AND EXPERTISE OF THE BOD

## Board of Directors

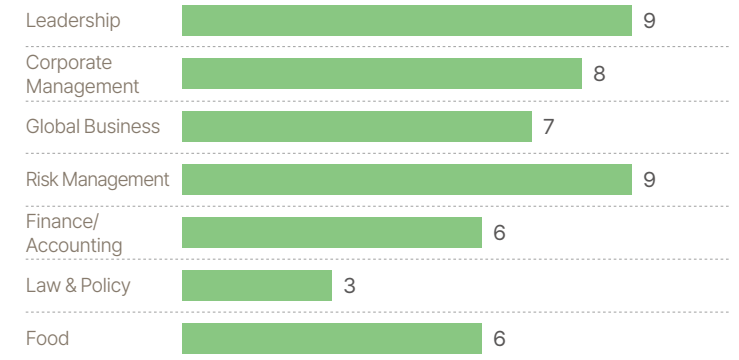
### BOD Composition and Operation Principle

The Board of Directors of LOTTE WELLFOOD makes key decisions necessary for the company's mid-to-long-term growth and represents both internal and external stakeholders. As of the end of the first quarter of 2024, the BOD consists of nine members, including five non-executive directors, each possessing expertise, diversity, and independence in their respective fields. The CEO Chang-yup Lee (Paul Yi), who is recognized for his extensive experience and managerial capabilities in the company's business areas, also serves as the Chairman of the BOD. To ensure the independence and transparency of governance and to promote efficient decision-making, the BOD operates four committees of the Audit Committee, Nominating Committee, Remuneration Committee, and ESG Committee.

### BOD Composition

Classification	Gender	Current Position	Career	Expertise	Term	Recommended by	Role
Executive director	Dong-bin Shin	Male • Chairman of LOTTE Group • CEO of LOTTE WELLFOOD	• MBA in Business Administration, Columbia University • Concurrent position as CEO of LOTTE CORPORATION, LOTTE CHEMICAL and LOTTE CHILSUNG BEVERAGE	Management	2026.03.21	Board of Directors	• CEO
	Young-goo Lee	Male • CEO of LOTTE WELLFOOD • General Representative of LOTTE Group's food business	• Former CEO of LOTTE CHILSUNG BEVERAGE	Management	2025.03.23		• CEO
	Paul Yi	Male • CEO of LOTTE WELLFOOD	• Former Vice President of LG Household & Health Care / Head of Business Division	Management	2025.03.23		• CEO • Chairman of the BOD • Member of the ESG Committee
	Sung-wook Hwang	Male • Head of Financial Strategy Division of LOTTE WELLFOOD	• Former Policy HQ Operation Team of LOTTE Shopping	Finance	2026.03.21		• Member of the ESG Committee
Non-executive director	Mun-gi Sohn	Male • Professor, Department of Food and Biotechnology, Kyung Hee University	• Former Minister of Food and Drug Safety	Food	2025.03.23	Nominating Committee	• Member of the Audit Committee • Chairman of the Nominating Committee • Member of the Remuneration Committee • Member of the ESG Committee
	Deok-nam Hwang	Female • Lawyer	• Former Executive Director of Korea Law Institute	Law	2026.03.21		• Member of the Nominating Committee • Chairman of the ESG Committee
	Yoon-hwa Jeong	Male • Professor, Department of Food and Nutrition, Dankook University	• Former President of the Korean Society of Food and Nutrition Sciences	Food	2025.03.23		• Member of the Audit Committee • Member of the Nominating Committee • Member of the ESG Committee
	Young-son Shin	Male • Standing advisor, Yulchon LLC	• Former Vice Chairman of the Fair Trade Commission	Law	2026.03.21		• Member of the ESG Committee • Member of the Nominating Committee • Chairman of the Remuneration Committee
	Byung-choon Ihn	Male • CPA, Lee & Ko LLC	• Public trial representative of the Tax Tribunal	Finance, audit	2026.03.21		• Chairman of the Audit Committee • Member of the Nominating Committee • Member of the Remuneration Committee • Member of the ESG Committee

### BOD Competency Evaluation Table (summary) (Unit: persons)



### ESG Training for the Management

LOTTE WELLFOOD conducted an ESG training session for the management on August 8, 2023, to enhance understanding and discuss response strategies for sustainable development. Moreover, to improve the professional knowledge of the management, visits to the Lotte R&D Center and business sites in Kazakhstan were also conducted.

# SECURING THE INDEPENDENCE AND EXPERTISE OF THE BOD

## BOD Member Status (Unit: persons)

Classification		Dec. 2022	Dec. 2023	Mar. 2024
By gender	Male	7	8	8
	Female	1	1	1
By age	Under 30	0	0	0
	30~60	1	1	2
	Over 60	7	8	7

## BOD and ESG Committee Meetings (Unit: items, %)

Classification		2021	2022	2023
BOD	Number of meetings held	9	7	6
	Number of agendas discussed	40	37	25
	Attendance rate	96	95	96
ESG Committee	Number of meetings held (established in Oct. 2021)	1	4	8
	Number of agendas discussed	2	8	12

## BOD and Committees (Unit: items, %)

Classification	Purpose and Role	Composition	Member	Number of Meetings Held	Number of Agendas Discussed	Attendance Rate
Board of Directors	<ul style="list-style-type: none"> <li>Supreme decision-making body at LOTTE WELLFOOD</li> <li>Decision on matters stipulated in laws or articles of incorporation, matters delegated by the general shareholders' meeting, basic management policies of the company and major matters related to business progress, etc.</li> </ul>	4 executive directors	Dong-bin Shin, Young-goo Lee, Paul Yi (Chairman), Sung-wook Hwang	6	25	96.3
		5 non-executive directors	Mun-gi Sohn, Deok-nam Hwang, Yoon-hwa Jeong, Young-son Shin, Byung-choon Ihn			
Audit Committee	<ul style="list-style-type: none"> <li>Audit on the legality of carrying out duties, appointment of external auditors, etc.</li> </ul>	3 non-executive directors	Mun-gi Sohn, Yoon-hwa Jeong, Byung-choon Ihn (Chairman)	8	23	100.0
Nominating Committee	<ul style="list-style-type: none"> <li>Approval of non-executive director candidates to be recommended to the general shareholders' meeting</li> </ul>	5 non-executive directors	Mun-gi Sohn (Chairman), Deok-nam Hwang, Yoon-hwa Jeong, Young-son Shin, Byung-choon Ihn	1	3	100.0
Remuneration Committee	<ul style="list-style-type: none"> <li>Approval of compensation limits for registered directors to be submitted to the general shareholders' meeting, individual compensation for registered directors (including performance bonuses), compensation limits for executive officers, and payment of special bonuses and merit bonuses</li> </ul>	3 non-executive directors	Mun-gi Sohn, Young-son Shin (Chairman), Byung-choon Ihn	2	6	100.0
ESG Committee	<ul style="list-style-type: none"> <li>Approval of matters related to ESG management activities, transactions with related parties, execution of donations, appointment of governance-related managers, safety and health plans, etc.</li> </ul>	5 non-executive directors	Deok-nam Hwang (Chairman), Mun-gi Sohn, Yoon-hwa Jeong, Young-son Shin, Byung-choon Ihn	8	27	100.0
		2 executive directors	Paul Yi, Sung-wook Hwang			

\* As of March 2024

# SECURING THE INDEPENDENCE AND EXPERTISE OF THE BOD

## Independence of Non-executive Directors

LOTTE WELLFOOD ensures transparent and independent decision-making and effective management through checks and balances by securing the independence of non-executive directors. Aiming to achieve accountable management centered on the Board of Directors, LOTTE WELLFOOD established guidelines in 2024 that mandate the selection of independent non-executive directors in accordance with relevant laws and require that a majority of the BOD be composed of non-executive directors.

## Introduction of Senior Non-executive Director System

LOTTE WELLFOOD strengthens the independence and balance of the Board of Directors by appointing a representative among non-executive directors as the senior non-executive director. The senior non-executive director convenes and presides over the non-executive director meeting.

## BOD Evaluation and Compensation

LOTTE WELLFOOD conducts an annual evaluation on the contributions, expertise, and engagement of all directors, including those whose terms are expired for the year and all non-executive directors. The evaluation is performed by an evaluation committee composed of internal management, and the results are used to determine the reappointment of directors. The Remuneration Committee decides the total remuneration limits and individual remuneration amounts for directors, which are then approved at the general shareholders' meeting in accordance with the Commercial Act, the Articles of Incorporation, and the BOD regulation. The evaluation of directors and the determination of remuneration are carried out transparently and fairly, considering the value that the company aims and business performance."

## Remuneration of Registered Directors in 2023

(Unit: KRW in millions)

Classification	Member	Total Remuneration	Average Remuneration per Capita	Remuneration Criteria	Remarks
Executive director	4	4,813	1,203	<ul style="list-style-type: none"> <li>Determination by the Remuneration Committee within the limit concluded at the shareholders' meeting</li> <li>- Salary: Considering basic salary, position, and contribution to the company</li> <li>- Bonus: Considering corporate annual operating performance, leadership, and contribution to the company</li> <li>- Welfare benefits: According to welfare benefits regulations</li> </ul>	<ul style="list-style-type: none"> <li>Including remuneration (January to December) of registered directors appointed during the period subject to disclosure</li> </ul>
Non-executive director (excluding Audit Committee member)	2	144	72	<ul style="list-style-type: none"> <li>Determination by the Remuneration Committee within the limit concluded at the shareholders' meeting</li> <li>- Welfare benefits: According to welfare benefits regulations</li> </ul>	
Audit Committee member	3	237	79		

\* As of the end of 2023

## Ratio of the Highest Paid Person Compared to Average Employee Remuneration

(Unit: KRW in millions)

Classification	2021	2022	2023
Total remuneration of highest paid person	2,185	2,416	2,443
Employee remuneration (median) <sup>1)</sup>	53	57	55
Ratio (multiple)	41.14	42.39	44.42

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

## Annual Remuneration Growth of the Highest Paid Person and Employees

(Unit: %)

Classification	Year-on-year Growth Rate
Year-on-year growth rate in remuneration of the highest paid person (a)	1.1
Median rate of increase in remuneration for executives and employees excluding the highest paid (b)	-3.5
Ratio of growth rate compared to the previous year (a/b)	-0.31

## 3-year Remuneration States

(Unit: persons, KRW in millions)

Classification	2021	2022	2023	
BOD remuneration <sup>1)</sup>	Number of executives	8	8	9
	Total remuneration <sup>2)</sup>	5,410	5,927	5,915
	Average remuneration per person	676	741	577

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

2) The total remuneration of registered directors includes the remuneration of registered directors appointed during the disclosure period while serving as an unregistered executive and includes the retirement income of executives who retired during the disclosure period.

# SECURING THE INDEPENDENCE AND EXPERTISE OF THE BOD

## Corporate Governance Policy

### CEO Succession Policy

Pursuant to Article 36 of the company's Articles of Incorporation and Article 5.5.3 of the Board of Directors Management Regulations, the selection of the CEO is the authority of the BOD, and a systematic succession policy has been established and operated. Our Human Resources Management Department annually selects and manages candidates for CEO based on a systematic internal evaluation and development process and reviews and recommends the final candidates to the BOD before the expiration of the CEO's term. The BOD comprehensively considers the expertise and leadership of the recommended candidates and selects the best person to be elected as an inside director at the general meeting of shareholders. After the appointment of an inside director by the shareholders' meeting, the BOD appoints him/her as CEO by resolution, and the management succession process ends. The CEO must have a management philosophy, present a clear vision, and possess excellent leadership and organizational management capabilities to create management performance.

To identify, verify, and nurture the capabilities of candidates, the company establishes a succession policy through inter-organizational collaboration under the leadership of the Human Resources Management Department. In the event of an emergency in which the CEO cannot fulfill his/her duties due to personal reasons or leave of absence, the Articles of Incorporation stipulate that the CEO may assume his/her duties per the order of succession established by the BOD. In addition, to ensure continuity and stability of management until the CEO candidate is elected as an inside director at the general meeting of shareholders, the former CEO is typically appointed as a consultant to support stable management succession. We operate a sophisticated assessment, training, and career development program to foster candidates who meet the qualifications for the position of CEO. We operate the "Giants Course" for candidates who can make an immediate impact within one to two years and the "Core Talent Development Course" to cultivate strategic thinking, leadership, and management skills for long-term future management candidates.

### Corporate Governance Charter

[More Details](#)

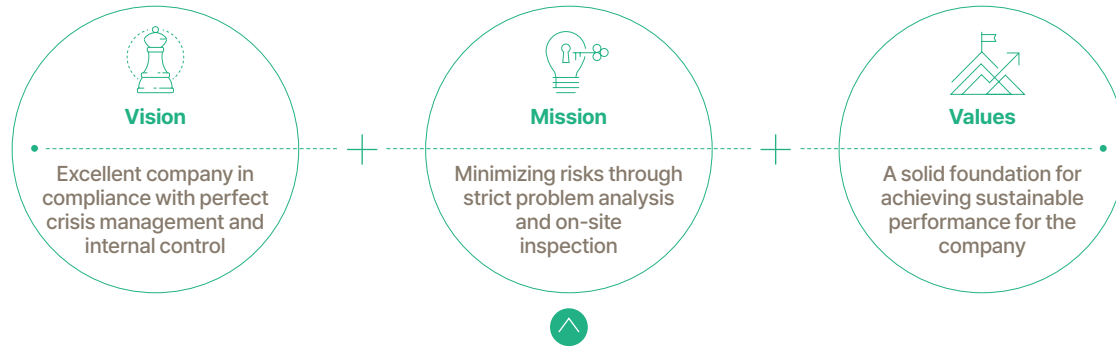


# COMPLIANCE MANAGEMENT

## Compliance / Ethical Management

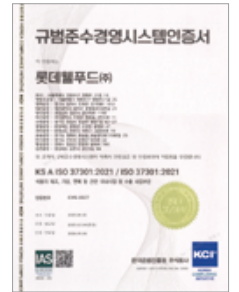
### Compliance and Ethics Management System

LOTTE WELLFOOD operates the Compliance Division, an organization dedicated to ethical and compliance management, to enhance the response to ethics and compliance risks. We also operate the Internal Audit Office under the Audit Committee to strengthen internal control.



### Compliance Management System

In January 2023, LOTTE WELLFOOD acquired the Compliance Management System (ISO 37301), further solidifying its compliance management framework alongside the Anti-Bribery Management System (ISO 37001), which it obtained as the first in the confectionery industry in 2019. Based on the initiatives, LOTTE WELLFOOD has been enhancing its compliance management by assessing and managing corruption risks across all departments<sup>1)</sup>, proclaiming an anti-corruption policy, training internal auditors, and establishing management systems.



1) 2 departments at headquarters, 13 factories, and 35 sales branches

### Ethical Management

In February 2024, LOTTE WELLFOOD reported its compliance system operation results to the ESG Committee to verify the effectiveness of compliance practices and reviewed the implementation status of compliance management, fair trade compliance programs, and compliance management system. We will continue to improve compliance system to foster a sense of legal compliance among employees and enhance the crisis management capabilities of the management.

# COMPLIANCE MANAGEMENT

## Compliance System Operation Result

Classification	Compliance Management	Compliance Program	Compliance Management System
Operation results	<ul style="list-style-type: none"> <li>• Inspection: Integrated inspection of the sales division operation contract</li> <li>• Support: Review of company-wide contracts, advisory, BOD, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection: Inspection of major fair trade issues (3 times)</li> <li>• Training: Face-to-face and collective training (11 times)</li> </ul>	<ul style="list-style-type: none"> <li>• Certification: Pass external review, maintain certification</li> <li>• Operation: Conduct evaluation by reflecting all integrated organizations</li> </ul>
Effect	<ul style="list-style-type: none"> <li>• Use of standard contract for agencies (January 2024)</li> <li>• System-based efficient review</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention of risks that may occur in practice</li> <li>• Interview with staff and on-site training</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening the effectiveness of anti-corruption and compliance with regulations: Establish a cycle to set and achieve the goal</li> </ul>
Management goal in 2024	<ul style="list-style-type: none"> <li>• Diversifying inspection: Inspection and agreement before major projects, monthly preventive activities, use of external advice, etc.</li> <li>• Introducing compliance management guidelines to overseas subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Systematic maintenance to strengthen compliance management: Improve risk prevention effectiveness by enhancing the internal supervision system and imposing sanctions on executives and employees who violate the law</li> </ul>	<ul style="list-style-type: none"> <li>• Taking actions to improve the system: Specify risk assessment, establish quantitative goals, enhance training effectiveness, and prevent corruption of suppliers</li> </ul>

## Subcontracting Management

In January 2010, LOTTE WELLFOOD established the "Subcontracting Transaction and Fairness Management Regulations" to stipulate the operation and deliberation matters of the committee. To ensure fair and lawful subcontracting transactions, we hold the Subcontracting Transaction Review Committee meeting once a month. In 2023, the committee was convened 12 times and reviewed 19 agenda items. The committee reviews the payment procedures, payment dates, and payment methods for all subcontracting transactions every quarter, and establishes and complies with business regulations to manage objectivity and legal compliance issues that may arise during the calculation and deliberation of damages and disputes in the course of transactions. Besides, LOTTE WELLFOOD specifies the procedure for compensation for damages due to non-fulfillment of contracts in the business regulations, to adjust various disputes that may arise between partners promptly.

## Communication Response System

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

## Compliance Policy

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

### Compliance Policy

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

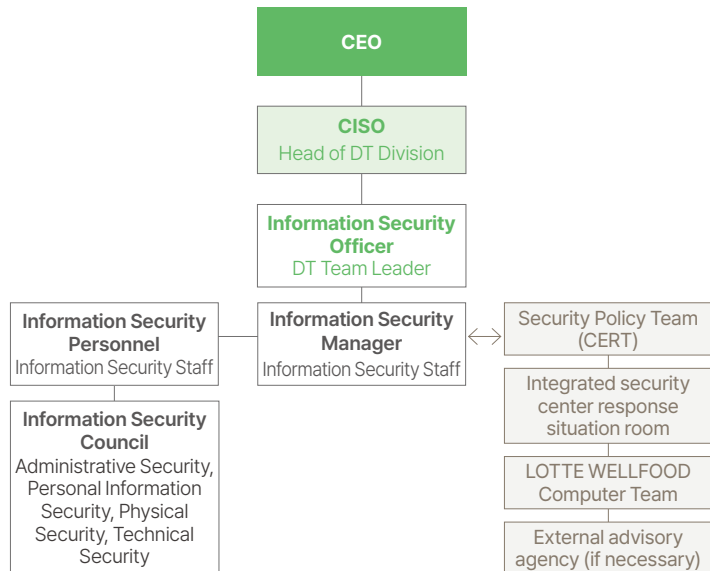


# COMPLIANCE MANAGEMENT

## Strengthening Information Protection and Security

### Information Protection Organization System

LOTTE WELLFOOD has established a company-wide information security system to protect customer information and company assets from internal and external threats. Based on this system, we conduct annual information security breach drills, vulnerability assessments, reviews of partners' information management status, and information security training. In accordance with the amended "Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.," LOTTE WELLFOOD designated the head of DT Division as the Chief Information Security Officer (CISO) in July 2022. Additionally, we operate an information protection council to discuss and implement various information protection management measures, systematically carrying out information security tasks.



### Security Management System

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

### Investment in Information Protection

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

Classification		Unit	Result	Remarks
Investment in information security	Information technology sector (A)	KRW in millions	29,120	
	Information security sector (B)	KRW in millions	2,366	
	B / A	%	8.1	
Information security personnel	Information technology sector (C)	Persons	261.2	
	Information security sector (D)	Persons	10.4	Internal: 3.6 / outsourcing: 6.8
	D / C	%	4.0	

### Security Incident Prevention and Response Activities

LOTTE WELLFOOD regularly conducts physical and technical information protection activities at the company level to prevent security incidents. Additionally, to raise security awareness among employees, we implement malicious email response drills on a quarterly basis and information protection training. In 2023, we performed vulnerability assessments and improvements for each system, as well as checks on the information security levels of subcontractors, and reported the results to the Information Protection Council. In 2024, we plan to focus intensively on improving information security vulnerabilities.



Information Protection Newsletter

# ENHANCING SHAREHOLDER & INVESTOR VALUE AND ACTIVE COMMUNICATION

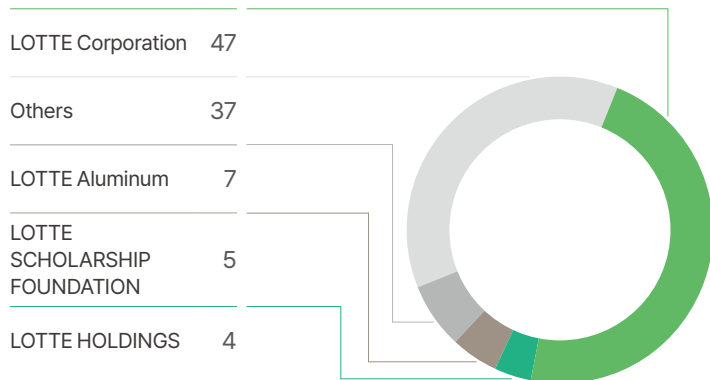
## Shareholder Rights

### Convening a General Shareholders' Meeting

LOTTE WELLFOOD is committed to ensuring that shareholders can exercise their voting rights and participate in major management decisions. By introducing an electronic voting system and soliciting proxy voting, we enhance the convenience of shareholders' voting rights, facilitating the smooth conduct of the general shareholders' meeting and securing the necessary quorum. In addition, the company avoids holding the general shareholders' meeting on peak dates and announces the meeting two weeks in advance to allow sufficient time for reviewing the agenda items. We also mail the notice of the meeting to shareholders who own more than one-hundredth of the total number of shares entitled to vote, send a translated notice of the meeting to foreign major shareholders, and announce it through the Financial Supervisory Service, DART system, and our website. In addition, we disclose the ratio of votes for and against each agenda item and the specific voting results of the general meetings of shareholders held from the beginning of the business year to the date of submission of the disclosure documents on our website. As of the end of December 2023, the largest shareholder is LOTTE Corporation with a 47.47% stake, and the shares of related parties total 70.15%.

### Shareholder Structure

(Unit: %)



### Participation Rate in the 6th Regular General Meeting of Shareholders (Mar. 23, 2023)

Total number of shares issued	Number of shares available for voting	Number of voting shares	Attendance rate (%)
9,434,574	8,345,123	7,028,187	84

### Transparent Disclosure

LOTTE WELLFOOD strives to provide accurate and timely information to stakeholders including shareholders about the company's overall management through corporate website and disclosure systems (such as DART and KIND). When the Board of Directors makes decisions on major management matters or events that could significantly impact investment decisions, we immediately disclose this information to the market.

### Shareholder Return

LOTTE WELLFOOD has consistently distributed dividends to enhance shareholder value. Dividend payout ratio is maintained at around 30%, taking into account the mid-term management plan, dividend yield, and cash flow. To ensure stable dividend payments, dividend per share is adjusted within a 20% range of the previous year's amount.

### 3-year Shareholder Return

(Unit: KRW in millions)

Year	Settlement	Kind of Shares	Dividend per Share <sup>1)</sup> (KRW)	Total Dividends (KRW in millions)	Dividend Yield(%)	Payout Ratio <sup>2)</sup> (%)	
						Consolidated	Separate
2023	12	Common	3,000	26,524	2.4	37.6	44.6
2022	12	Common	2,300	20,335 <sup>3)</sup>	1.8	43.2	108.7
2021	12	Common	1,600	10,259	1.3	29.4	33.8

1) Total annual payment per share  
 2) Ratio of total cash dividends to net profit  
 3) Corrected disclosure due to data error

### Shareholder and Investor Communications

LOTTE WELLFOOD holds quarterly corporate briefings to ensure that various stakeholders, including shareholders, receive corporate information fairly. The IR team within the Financial Strategy Division is responsible for shareholder communication. Each quarter, performance data is published on the website, and Non-Deal Roadshows (NDR) for major domestic and international institutional investors are conducted under the supervision of top management and staff. Ad hoc IR meetings are also held to share information with investors and enhance their understanding of the company's management situation. For shareholder convenience, remote communication methods such as video conferences and conference calls are being expanded, and English materials are provided for foreign shareholders. In 2023, nine IR meetings were held.

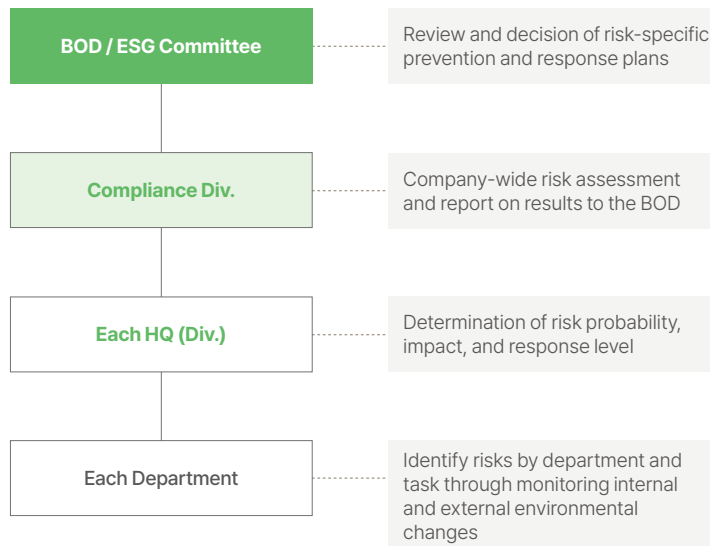
Classification	2021	2022	2023
Number of IR meetings held (shareholder communication)	8	14	9

# INTEGRATING FINANCIAL & NON-FINANCIAL RISK MANAGEMENT

## Risk Management

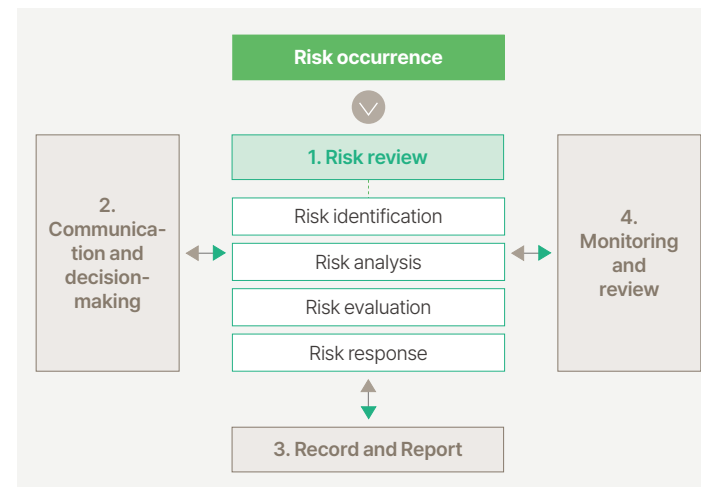
LOTTE WELLFOOD strives to identify and assess risk factors that could negatively impact the management environment and respond effectively. The company operates an enterprise-wide risk management system to identify potential risks and minimize their impact across various areas, including liquidity changes, credit effects, raw material price fluctuations, demographic changes, and climate change. The Compliance Division conducts annual risk assessments, with risk managers from each department participating in setting and monitoring risk control objectives. After implementing risk controls, residual risk assessments are carried out. Operational departments and divisions monitor risks to prevent them and, for matters requiring resolution, manage them at the enterprise level through the Board of Directors and the ESG Committee. Through this process, LOTTE WELLFOOD clearly distinguishes dedicated organizations and management policies for each type of risk, thereby striving for more systematic risk management.

### Risk Management System



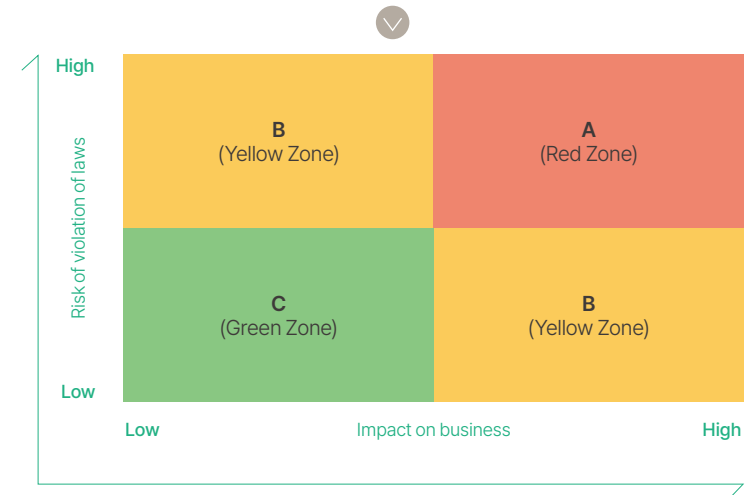
### Risk Response Process

- 1 When a risk occurs, the department in charge reports it to the management, divisions, and headquarters
- 2 Determination of risk analysis response level and report on the result to the compliance division and the BOD
- 3 Responding and taking measures at the headquarters level and then report on the results to the compliance department and the BOD
- 4 Continuous monitoring by risk and review of action results



### Risk Assessment

Anti-corruption	Fair trade	Information protection	Employment & labor	Unfair treatment
Food hygiene & health	Industrial safety & environment	Consumer protection	Anti-money laundering	Financial & capital market



Assess and report risk areas at least once a year  
(Anti-corruption and information protection areas are fixed in the Red Zone.)

# INTEGRATING FINANCIAL & NON-FINANCIAL RISK MANAGEMENT

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

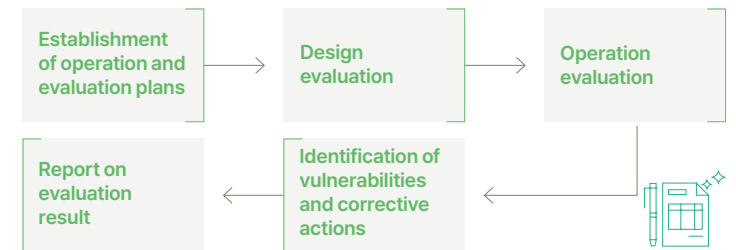
LOTTE WELLFOOD closely analyzes and responds to financial and non-financial risks that may arise from management activities through its management organization to mitigate them.

Risk Type	Details	Response
Financial risk	Risk from changes in exchange rates, interest rates and liquidity  Impact on corporate financial stability and credit	<ul style="list-style-type: none"> <li>Establishment of foreign exchange risk management policy</li> <li>Management of foreign exchange loss within the permissible range through a foreign exchange risk management model</li> </ul>
Non-financial risk	Market risk	<ul style="list-style-type: none"> <li>Raw material price fluctuations and increase in supply difficulty</li> </ul>
		<ul style="list-style-type: none"> <li>Working-level discussion and identification of response measures in case of issues related to raw materials procurement</li> </ul>
		<ul style="list-style-type: none"> <li>Demographic change</li> <li>Changes in trends and customer needs</li> </ul>
Environmental risk		<ul style="list-style-type: none"> <li>Product research and launch considering market trends</li> <li>Establishment of life cycle product portfolio and enhancement of H&amp;W brand</li> </ul>
		<ul style="list-style-type: none"> <li>Regular workplace safety inspection</li> </ul>
		<ul style="list-style-type: none"> <li>Occurrence of safety accidents and damage to business sites due to natural disasters</li> <li>Changes in the price of carbon credits</li> <li>Reinforcement of environmental laws and regulations</li> </ul>
Compliance risk		<ul style="list-style-type: none"> <li>Regular monitoring of emissions market</li> <li>Energy saving and carbon emission control at all sites</li> </ul>
		<ul style="list-style-type: none"> <li>Monitoring of laws and operation of self-management standards that exceed legal standards</li> </ul>
	<ul style="list-style-type: none"> <li>Violation of ethics regulations and occurrence of corruption</li> <li>Sanctions on business activity due to violation of laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Obtainment of ISO 37301 certification</li> <li>Compliance training for employees</li> <li>Regular due diligence</li> </ul>

## Internal Accounting Management System

To ensure the consistency and reliability of financial information, LOTTE WELLFOOD operates an internal accounting management system in accordance with Article 8 of the Act on External Audit of Stock Companies, Article 9 of the Enforcement Decree of the same Act, and Article 6 of the Regulations on External Audit and Accounting. This system helps identify the risk of financial statement distortions and prevents risks through internal controls. Any deficiencies identified during the evaluation of the system's operational performance are promptly addressed with corrective actions. This process contributes to enhancing accounting transparency and securing the reliability of our financial information.

### Internal Accounting Management System Operation Process



### Internal Accounting Management System Evaluation Result

Fiscal Year	2021	2022	2023
Audit Opinion	Unqualified	Unqualified	Unqualified

# INTEGRATING FINANCIAL & NON-FINANCIAL RISK MANAGEMENT

## Tax Risk Management

### Tax Risk Management Strategies

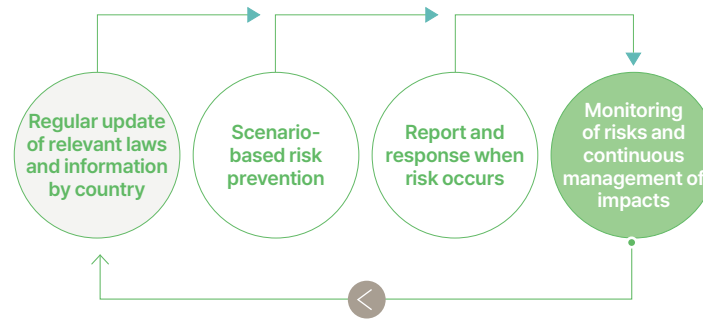
Complying with tax laws and fulfilling all tax obligations in good faith is one of our corporate social responsibilities, both for the benefit of our customers and to contribute to national finances. LOTTE WELLFOOD has established the following tax strategy to fulfill its tax obligations in good faith and to ensure that each legal entity complies with the tax laws of its country. First, each subsidiary conducts all domestic and foreign transactions in accordance with their respective countries' tax laws and regulations. We also promote tax fairness by faithfully fulfilling our taxpayer obligations, such as submitting data required by each country's tax laws and regulations. In addition, we strictly prohibit the operation of legal entities for the purpose of tax evasion or the transfer of income to tax havens. LOTTE WELLFOOD recognizes that the development and implementation of a tax strategy is crucial to managing risk, both financially and in terms of sustainability. To proactively manage tax risks, LOTTE WELLFOOD's Accounting and Tax Department regularly monitors changes in tax legislation, identifying and analyzing possible impacts on the company. For issues of high importance, we manage tax risks based on the interpretation of votes through external consultations and preliminary inquiries with tax authorities. Through these tax strategies, LOTTE WELLFOOD practices sincere fulfillment of tax obligations and compliance with tax laws and pursues transparent and ethical corporate management.

### Sustainable Tax Policy

LOTTE WELLFOOD has established a sustainable tax policy based on its existing tax strategy. Domestic tax affair is handled by the tax manager, and overseas tax affair is handled by the consolidated accounting team. The company manages tax risks according to the following process.

[More Details](#)

### Tax Risk Management Process



### Corporate Tax Expense by Country

LOTTE WELLFOOD conducts tax payments based on the tax regulations of each jurisdiction where its subsidiaries are located, as well as its sustainable tax policy and tax regulations. Additionally, the company strives to minimize tax risks by understanding the differences in tax laws between countries and the intentions behind tax regulations.

### Corporate Tax Expense by Country (Unit: KRW)

Classification	2021	2022	2023
Korea	14,857,504,927	568,650,957	21,594,981,060
China	-	-	-
Russia	- 549,785,285	- 379,386,106	- 1,545,537,681
Myanmar	-	-	957,458,340
India	1,882,883,437	4,465,794,103	7,036,687,692
Pakistan	- 515,787,135	- 250,538,747	1,609,229,251
Kazakhstan	5,726,489,498	6,189,460,875	9,060,992,435
Belgium	1,096,688,942	- 256,552,897	98,583,716
Singapore	-	-	-
Others	- 4,729,477,221	- 2,710,686,075	3,253,973,672
Total corporate tax expense	17,768,517,163	7,626,742,110	42,066,368,485

\* Based on consolidated financial statement

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# ESG FACT BOOK

## Social Performance

### Employment Status

As of the end of 2023, LOTTE WELLFOOD's total number of employees was 6,694, a decrease of 101 from the previous year. The number of outsourced employees working at our business sites was 2,612. Outsourced workers perform tasks such as business site management (head office, factory, sales office, etc.), production, logistics, cleaning, security, beautification, group meal assistance, telemarketing, and computer system maintenance.

Classification		Unit		2021	2022	2023		
Number of employees	Members	Male	Persons	2,676	4,040	3,951		
		Female	Persons	1,673	2,755	2,743		
		Total	Persons	4,349	6,795	6,694		
	Percentage	Male	%	61.5	59.5	59.0		
		Female	%	38.5	40.5	41.0		
		Total	%	100.0	100.0	100.0		
Regular position	Members	Male	Persons	2,618	3,914	3,841		
		Female	Persons	1,406	1,789	2,172		
		Total	Persons	4,024	5,703	6,013		
	Percentage	Male	%	60.2	57.6	57.4		
		Female	%	32.3	26.3	32.4		
		Total	%	92.5	83.9	89.8		
Contract position	Members	Male	Persons	58	126	110		
		Female	Persons	267	966	571		
		Total	Persons	325	1,092	681		
	Percentage	Male	%	1.3	1.9	1.6		
		Female	%	10.0	14.2	8.5		
		Total	%	7.5	16.1	10.2		
By business division	Support	Male	Persons	225	290	270		
		Female	Persons	102	104	108		
		Total	Persons	327	394	378		
	Sale	Male	Persons	1,394	1,866	1,844		
		Female	Persons	924	1,655	1,727		
		Total	Persons	2,318	3,521	3,571		
	Production	Male	Persons	1,057	1,884	1,837		
		Female	Persons	647	996	908		
		Total	Persons	1,704	2,880	2,745		
	By age	Members	30 and under	Male	Persons	299	441	242
			Female	Persons	261	401	298	
			Total	Persons	560	842	540	

Classification		Unit		2021	2022	2023	
Members	31-50	Male	Persons	1,774	2,580	2,421	
		Female	Persons	1,217	1,683	1,662	
		Total	Persons	2,991	4,263	4,083	
	Over 50	Male	Persons	603	1,019	1,288	
		Female	Persons	195	671	783	
		Total	Persons	798	1,690	2,071	
	Percentage	30 and under	Male	%	11.2	10.9	6.1
			Female	%	15.6	14.6	10.9
			Total	%	12.9	12.4	8.1
		31-50	Male	%	66.3	63.9	61.3
			Female	%	72.7	61.1	60.6
			Total	%	68.8	62.7	61.0
Over 50		Male	%	22.5	25.2	32.6	
		Female	%	11.7	24.4	28.5	
		Total	%	18.3	24.9	30.9	
Unfixed-term employees		Total	Male	Persons	2,618	3,914	3,841
			Female	Persons	1,406	1,789	2,172
			Total	Persons	4,024	5,703	6,013
	Part-time worker <sup>1)</sup>	Male	Persons	0	0	0	
		Female	Persons	0	0	0	
		Total	Persons	0	0	0	
Fixed-term employees	Total	Male	Persons	58	126	110	
		Female	Persons	267	966	571	
		Total	Persons	325	1,092	681	
	Part-time worker	Male	Persons	7	4	3	
		Female	Persons	64	184	306	
		Total	Persons	71	188	309	
<b>Total number of employees</b>				<b>Persons</b>	<b>4,349</b>	<b>6,795</b>	<b>6,694</b>

1) No non-guaranteed hours employees

# ESG FACT BOOK

## Expatriates

Classification		Unit	2021	2022	2023
Gender	Male	Persons	30	30	26
	Female	Persons	0	0	0
Position	Executives	Persons	6	3	4
	Manager and higher	Persons	24	27	22
	Assistant manager and under	Persons	0	0	0
Age	Age 30 and under	Persons	0	0	0
	Age 31 to 50	Persons	27	27	25
	Over age 50	Persons	3	3	1
<b>Total</b>		<b>Persons</b>	<b>30</b>	<b>30</b>	<b>26</b>

## Talent Cultivation

Classification		Unit	2021	2022	2023
Number of trainees <sup>1)</sup>		Persons	14,358	22,494	25,989
Training hours		Hours	22,418	25,298	157,329
Total training costs		KRW in millions	2,193	3,441	4,553
Training cost per employee		KRW in millions	0.73	0.60	0.84

1) Including overlapping participants

## Social Contribution

Classification		Unit	2021	2022	2023
Charitable contribution		KRW	6,005,990,885	7,692,910,306	5,170,198,660
Investment in local communities		KRW	911,095,055	696,992,210	312,643,810
Commercial initiative		KRW	4,214,101,718	495,418,182	3,869,443,390
<b>Total</b>		<b>KRW</b>	<b>11,131,187,658</b>	<b>8,885,320,698</b>	<b>9,352,285,860</b>

## Parental Leave

LOTTE WELLFOOD has established a parental leave system to prevent career breaks for female talent due to pregnancy, childbirth, and childcare, and it is eligible for all employees with children under the age of 8. Since 2017, parental leave system has been guaranteed for male employees.

Classification		Unit	2021	2022	2023
Number of employees entitled to parental leave	Male	Persons	754	1,195	1,122
	Female	Persons	251	356	350
	Total	Persons	1,005	1,551	1,472
Number of employees who used parental leave	Male	Persons	70	75	76
	Female	Persons	67	99	115
	Total	Persons	137	174	191
Number of employees who returned to work after parental leave	Male	Persons	80	57	57
	Female	Persons	35	50	39
	Total	Persons	115	107	96
Rate of return to work after parental leave	Male	%	97.1	98.4	89.1
	Female	%	77.6	98.2	79.6
	Total	%	87.6	98.3	85.0
Percentage of service for at least 12 months after return to work	Male	%	78.6	88.9	93.3
	Female	%	67.4	64.6	75.4
	Total	%	72.7	80.4	84.6

# ESG FACT BOOK

## Employment Contract

Classification			Unit	2021	2022	2023
Employment contract by country	Korea	Full-time	Persons	4,024	5,703	6,013
		Contract	Persons	325	1,092	681
		Total	Persons	4,349	6,795	6,694
	China	Full-time	Persons	74	22	4
		Contract	Persons	71	0	0
		Total	Persons	145	22	4
	Russia	Full-time	Persons	244	262	247
		Contract	Persons	88	90	87
		Total	Persons	332	352	334
	Myanmar	Full-time	Persons	1,470	1,353	1,371
		Contract	Persons	0	0	0
		Total	Persons	1,470	1,353	1,371
	India	Full-time	Persons	1,450	1,485	1,472
		Contract	Persons	433	642	2,020
		Total	Persons	1,883	2,127	3,492
	Pakistan	Full-time	Persons	491	448	253
		Contract	Persons	995	902	1,096
		Total	Persons	1,486	1,350	1,349
Kazakhstan	Full-time	Persons	3,787	3,826	3,782	
	Contract	Persons	0	0	0	
	Total	Persons	3,787	3,826	3,782	

Classification			Unit	2021	2022	2023
	Belgium	Full-time	Persons	187	191	175
		Contract	Persons	5	2	2
		Total	Persons	192	193	177
	Singapore	Full-time	Persons	14	18	22
		Contract	Persons	0	0	0
		Total	Persons	14	18	22
	Others (Dubai Office)	Full-time	Persons	1	2	1
		Contract	Persons	1	0	0
		Total	Persons	2	2	1
Local employment	By continent	America	Persons	0	0	0
		Europe	Persons	524	545	511
		Asia (excluding Korea)	Persons	8,785	8,375	10,020
		Middle East	Persons	2	2	1
		Africa	Persons	0	0	0
		Total	Persons	9,311	8,922	10,532

# ESG FACT BOOK

## Employee Diversity and Turnover

Classification		Unit	2021	2022	2023	
Employee diversity	Gender	Percentage of female employees	%	38.5	40.5	41.0
		Managers	Female (persons)	73	94	87
			Male (persons)	401	646	642
			Total	474	740	729
			%	15.4	12.7	11.9
	Executives <sup>1)</sup>		Female (persons)	2	7	5
			Male (persons)	34	46	47
			Total	36	53	52
			%	5.6	13.2	9.6
	Female employees in profit-generating organizations		Female (persons)	1,518	2,526	2,492
		Male (persons)	2,355	3,606	3,499	
		Total	3,873	6,132	5,991	
		%	39.2	41.2	41.6	
		Percentage of females in the BOD	%	0	12.5	11.1
Disabled	Number	Persons	140	219	213	
	Percentage	%	3.2	3.2	3.1	
Veteran	Number	Persons	34	39	41	
	Percentage	%	0.78	0.57	0.61	
New recruits	Male	Full-time	Persons	189	165	88
		Contract	Persons	0	60	17
		Part-time	Persons	430	586	575
		Total	Persons	619	811	680

1) Non-registered executives

Classification		Unit	2021	2022	2023	
Employee diversity	Female	Full-time	Persons	98	169	82
		Contract	Persons	216	616	145
		Part-time	Persons	1,065	4,153	3,628
		Total	Persons	1,379	4,938	3,855
	Age	Age 30 and under	Persons	891	1,588	1,148
		Age 31 to 50	Persons	921	2,173	1,805
		Over age 50	Persons	186	1,988	1,582
		Total	Persons	1,998	5,749	4,535
	By contract type	Full-time	Persons	287	334	170
		Contract	Persons	216	676	162
Part-time		Persons	1,495	4,739	4,203	
Total		Persons	1,998	5,749	4,535	
Turnover	Gender	Male	Persons	213	239	276
		Female	Persons	491	764	354
		Total	Persons	704	1,003	630
	Age	Age 30 and under	Persons	87	147	154
		Age 31 to 50	Persons	486	627	350
		Over age 50	Persons	131	229	126
	Total	Persons	704	1,003	630	

# ESG FACT BOOK

## Evaluation and Remuneration, Collective Agreements

Classification			Unit	2021	2022	2023
Employee remuneration	New employee wages	Male	KRW in millions	38	41	43
		Ratio of male remuneration to average	%	100	100	100
		Female	KRW in millions	38	41	43
		Ratio of female remuneration to average	%	100	100	100
		Ratio of female remuneration to male	%	100	100	100
		Wages of all employees	Male	Persons	2,676	4,040
		Total	KRW in millions	172,614	223,093	273,667
		Per capita	KRW in millions	65	55	69
		Female	Persons	1,673	2,755	2,743
		Total	KRW in millions	65,062	90,469	110,006
	Per capita	KRW in millions	39	33	40	
	Ratio of basic salary of female to male	%	60.3	59.5	57.9	
	Total	Persons	4,349	6,795	6,694	
	Total amount	KRW in millions	237,677	313,562	383,672	
	Per capita	KRW in millions	55	46	57	
Retirement pension plan	DB	Subscribers	Persons	3,018	6,194	4,485
		Reserved	KRW 100 million	1,252	2,164	2,410
	DC	Subscribers	Persons	901	1,790	1,569
		Reserved	KRW 100 million	413	717	815
Employees who received regular performance evaluation <sup>1)</sup>	Evaluation target	Male	Persons	2,621	3,918	3,643
		Female	Persons	917	1,374	1,284
		Total	Persons	3,538	5,292	4,927

Classification			Unit	2021	2022	2023
Gender	Male ratio		%	97.9	97.0	94.8
		Female ratio	%	54.8	49.9	59.1
		Total	%	81.4	77.9	81.9
	Female	Male	Persons	2,472	3,804	3,560
		Female	Persons	817	1,338	1,192
		Total	Persons	3,289	5,142	4,752
	Male ratio		%	94.3	97.1	97.7
		Female ratio	%	89.1	97.4	92.8
		Total ratio	%	93.0	97.2	96.4
	Employment type	Full-time	Persons	3,283	5,128	4,737
Contract		Persons	6	14	15	
Total		Persons	3,289	5,142	4,752	
Collective agreement	Total ratio	%	93.0	97.2	96.4	
	Total number of employees	Persons	4,349	6,795	6,694	
	Employees subject to union membership	Persons	3,083	5,020	4,964	
	Number of union members	Persons	1,693	2,604	2,605	
	Collective agreement application rate	%	71	74	74	
	Union membership rate	%	55	52	52	

1) Evaluation target: Full-time employees and contract employees eligible for conversion to full-time employees (executives among regular employees, those who joined the company after July of the relevant year, those who did not meet the working period for reinstatement, and promotional employees are excluded)

# ESG FACT BOOK

## Safety Management

The number of industrial accidents that occurred in 2023 is 22 (20 accidents, 2 diseases). The company has established a safety and health activity plan for 2024 in the areas of safety, health, and firefighting. We will strive to ensure that our employees work in an environment where safety and health are better guaranteed.

Classification		Unit	2021	2022	2023
Council	Safety and health council held	Cases	104	202	217
Industrial accident rate <sup>1)</sup>		%	0.30	0.22	0.33
Number of industrial accidents <sup>2)</sup> occurred	Accident	Cases	11	14	20
	Disease	Cases	2	1	2
	Total	Cases	13	15	22
Total working hours		1,000 hours	8,847	13,644	14,497
Lost Time Injury Rate (LTIR) <sup>3)</sup>	Employees	-	0.30	0.22	0.30
Safety and health training <sup>4)</sup>	Hours	Hours	39,344	36,768	46,704
	Trainees	Persons	2,640	3,064	3,892
	Training hours per capita	Hours	15	12	12
Number of industrial safety activities at business sites		Cases	2,213	2,194	1,636

1) Industrial accident rate = Number of industrial accidents occurred / total number of employees x 100  
 2) Main types of industrial accidents: (Accident) caught, collided, fall, burn / (Illness) musculoskeletal system  
 3) LTIR: Number of industrial accidents occurred for the year / Total hours worked by all employees during the same period x 200,000  
 4) Safety and health training: Employees at headquarters and factories (including employees at Delica)

## Product Safety

Classification			Unit	2021	2022	2023
Food safety <sup>1)</sup>	Audit results by Global Food Safety Initiative (GFSI)	Major and minor non-conformities	Cases	10	37	24
		Relevant corrective action	Cases	10	37	24
	Percentage of ingredients sourced from tier 1 supplier facilities certified in the GFSI Food Safety Certification Program		%	0	0	0
	Number of notifications of food safety violations <sup>3)</sup>		Cases	3	9	4
	Correction rate		%	100	100	100
Number of recalls announced		Cases	0	2	0	
Total number of recalled foods		ton	0	205	0	
Labeling and marketing <sup>2)</sup>	Number of violations of industrial or regulatory labeling or marketing-related laws <sup>4)</sup>	Violation of labeling laws	Cases	0	0	0
		Violation of marketing laws	Cases	0	1	0
Health and nutrition	Revenue from products labeled or marketed to promote health and nutritional properties	Total	KRW in millions	17,924	32,883 <sup>5)</sup>	141,438
		Organic products	KRW in millions	2,118	2,261	14,106
		Low-fertilizer food	KRW in millions	0	0	0
		Low-fat products	KRW in millions	6,197	4,598	1,088
		Low-sugar products	KRW in millions	2,687	18,516	18,098
		Low salt	KRW in millions	0	0	152
		Low preservatives, artificial seasonings	KRW in millions	0	0	0
		Reinforcement of 5 major nutrients	KRW in millions	6,922	7,508	107,956
Capacity-adjusted products	KRW in millions	0	0	38		

1), 2) Based on domestic business sites  
 3) Administrative disposition due to violations of the Livestock Products Sanitation Management Act and the Food Sanitation Act in 2023  
 4) Disposal of subsidiary (Lotte Fresh Delica) in 2022  
 5) Correction disclosure due to calculation error

# ESG FACT BOOK

## Ethics and Human Rights Management

Classification			Unit	2021	2022	2023
Ethical management	Training on compliance program	Trainees	Persons	207	226	127
		Trainees	Persons	0	0	167
	Training on subcontract law	Target	Persons	-	-	-
		Trainees	Persons	-	-	-
		Percentage of trainees	%	-	-	-
	Employees	Target	Persons	3,279	3,241	4,997
		Trainees	Persons	1,564	2,021	1,893
		Percentage of trainees	%	47.7	62.4	37.9
		Notice on anti-corruption policy and procedure <sup>2)</sup>	Target	Persons	-	-
	BOD	Number of persons notified	Persons	-	-	7
Percentage of persons notified		%	-	-	77.8	
Employees <sup>2)</sup>		Target	Persons	-	-	4,997
		Number of persons notified	Persons	-	-	4,729
Percentage of persons notified	%	-	-	94.6		
	Violation of laws	Violation of fair trade	Cases	0	1	0 <sup>3)</sup>
Violation of subcontract law		Cases	0	0	0	
Report on ethics violation (received) <sup>4)</sup>		Cases	3	5	1	
Report on ethics violation (handled)		Cases	3	5	1	
Report on ethics violation (action rate)		%	100	100	100	
Corruption	Confirmed corruption cases	Cases	0	0	0	
	Corruption cases with dismissal or disciplinary action	Cases	0	0	0	

Classification			Unit	2021	2022	2023
Corruption	Cases of termination or non-renewal of contracts with suppliers due to corruption-related violations	Cases	Cases	0	0	0
		Corruption-related legal lawsuits filed against the company or employees during the reporting period	Cases	0	0	0
Human rights management	Training on sexual harassment prevention	Time spent on training	Hours	4,315	5,690	5,412
		Trainees	Persons	4,315	5,690	5,412
		Training hours per capita	Hours	1	1	1
	Training on improving awareness of the disabled	Time spent on training	Hours	4,315	5,690	5,412
		Trainees	Persons	4,315	5,690	5,412
		Training hours per capita	Hours	1	1	1
Training on workplace bullying	Time spent on training	Hours	4,315	5,690	5,412	
	Trainees	Persons	4,315	5,690	5,412	
	Training hours per capita	Hours	1	1	1	
Total trainings	Time spent on training	Hours	12,945	17,070	16,236	
	Trainees	Persons	12,945	17,070 <sup>5)</sup>	16,236	
	Training hours per capita	Hours	1	1	1	
Violation of laws	Cases where human rights-related VOCs received	Cases	3	6	5	
	Cases where human rights-related VOCs handled	Cases	3	6	5	
	Percentage of VOCs handled	%	100	100	100	
	Number of legal lawsuits related to human rights	Cases	0	0	0	

1), 2) Target people: All employees (excluding those on leave, R&D Center, People Networks, etc.)  
 1) Training for those in charge (executives, team leaders) and key men of each department and then dissemination of training content to department members (including online training for executives and employees and introductory training for new employees at headquarters)  
 2) Agreement on compliance pledge containing anti-corruption policies/procedures and conduct of an anti-corruption campaign on holidays twice a year (computerization of compliance pledge from 2023)  
 3) A fine of KRW 24.4 billion was imposed for price fixing of ice cream products from 2016 to 2019.  
 4) Completion of human rights-related grievance actions  
 5) Correction disclosure due to data entry error

# ESG FACT BOOK

## General

### Separate Financial Statement

Classification	Unit	2021	2022	2023	
Sales	Domestic	KRW in millions	1,441,644	2,300,606	3,125,891
	Overseas	KRW in millions	104,730	143,249	174,861
	Total	KRW in millions	1,546,374	2,443,855	3,300,752
Operating profit	KRW in millions	82,693	80,898	130,507	
Net profit before tax	KRW in millions	45,216	19,509	81,163	
Net profit	KRW in millions	30,359	18,708	59,492	
Liabilities	KRW in millions	1,082,891	1,736,640	1,795,485	
Equity	KRW in millions	1,247,780	2,021,849	2,039,524	
Total assets	KRW in millions	2,330,671	3,758,489	3,835,009	

### Consolidated Financial Statement

Classification	Unit	2021	2022	2023	
Sales	Domestic	KRW in millions	1,524,451	2,421,643	3,274,777
	Overseas	KRW in millions	620,956	781,621	791,615
	Total	KRW in millions	2,145,407	3,203,264	4,066,392
Operating profit	KRW in millions	108,471	112,385	177,018	
Net profit before tax	KRW in millions	54,117	51,507	109,838	
Net profit	KRW in millions	36,349	43,880	67,771	
Liabilities	KRW in millions	1,339,677	1,993,628	2,056,459	
Equity	KRW in millions	1,326,972	2,111,631	2,142,637	
Total assets	KRW in millions	2,666,649	4,105,259	4,199,096	

### Investment and R&D Expenses

Classification	Unit	2021	2022	2023	
Environmental investment	Energy saving	KRW 100 million	13.6	69.3	61
	Investment in eco-friendly packaging equipment	KRW 100 million	25.4	0	0
	Total	KRW in millions	39.0	69.3	61
R&D expenses	Manufacturing expenses for accounting purposes	KRW in millions	12,970	19,985	24,332
	R&D expenses to sales <sup>1)</sup>	%	0.60	0.63	0.60
Expenses for managing crisis and opportunities due to climate change	ISO 14001 examination fee	KRW in millions	24.8	15.5	12.1
	Cost for 3rd party GHG verification	KRW in millions	31.9	28.0	28.0
	Total	KRW in millions	56.7	43.5	40.1

1) R&D expenses / sales for the year x 100

### Distribution of Economic Performance

Classification	Unit	2021	2022	2023
Dividends for shareholders	KRW in millions	10,259	20,335	26,524
Total tax (corporate tax) <sup>1)</sup>	KRW in millions	14,858	801	21,672
Total amount paid to employees (labor and welfare costs)	KRW in millions	290,157	382,971	472,016
Purchasing from suppliers	KRW in millions	600,026	1,590,375	1,296,693
Investment in local communities	KRW in millions	911	697	313
Payment based on coupon rate of bond	KRW in millions	13,780	19,799	35,791
Total economic performance distribution <sup>2)</sup>	KRW in millions	929,991	2,014,978	1,853,009

1) Corrected disclosure as separate corporate tax expense

2) Corrected disclosure due to calculation error

# DOUBLE MATERIALITY ASSESSMENT

## Double Materiality Assessment Process at LOTTE WELLFOOD

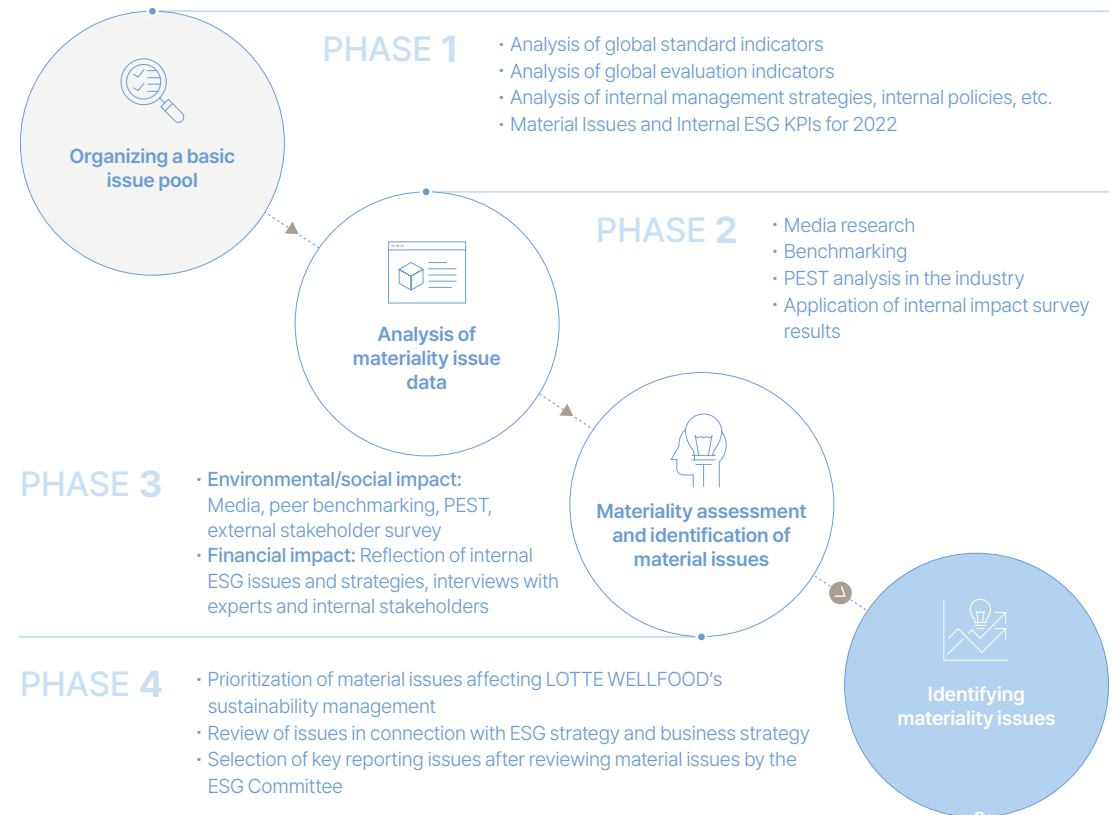
### Overview of Materiality Issues

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

### Material Issues Selection Process

LOTTE WELLFOOD utilizes materiality assessment to identify risks and opportunities and reflects them in strategy formulation and management decisions. We conducted a double materiality assessment to transparently understand not only the impact of our business activities on society and the environment, but also the impact of external sustainability-related factors on business activities. The ESG Division and the ESG Committee supervised the entire materiality assessment process. We established a pool of material issues based on global standards such as the GRI. We derived sustainability issues by reflecting on media research results, benchmarking, industry analysis, and internal impact surveys. To derive our core material issues, we surveyed key stakeholders such as suppliers, investors, and customers on the environmental/social and financial impacts of material issues and prioritized the materiality of each issue. The ESG Committee (held on April 24, 2024) reviewed the results from a company-wide management strategy perspective, and six material issues were selected from 25 issues.

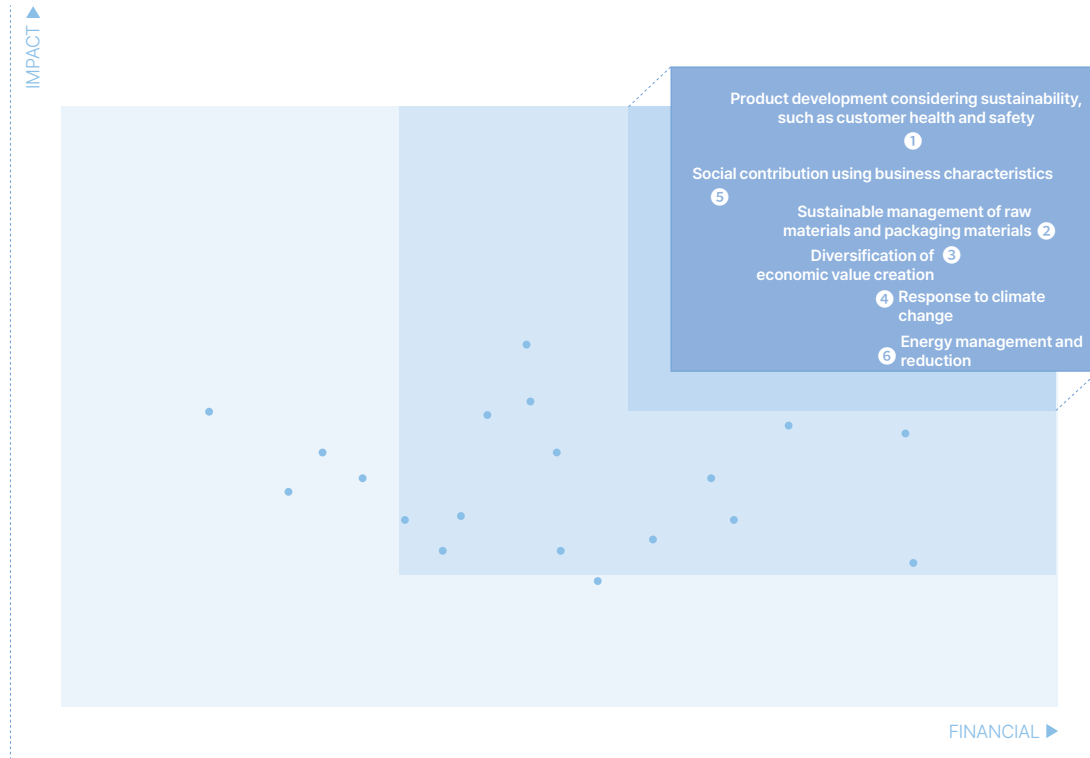
### Materiality Assessment Process



\* Items excluding media research and benchmarking analysis were evaluated using the same values as last year.

# DOUBLE MATERIALITY ASSESSMENT

## MATERIALITY MATRIX



Ranking	Material issue	Financial Materiality	Impact Materiality	Page	Compared with material issues in 2022
1	Product development considering sustainability, such as customer health and safety	High	High	54-56	Existing
2	Sustainable management of raw materials and packaging materials	High	High	33-36	Existing
3	Diversification of economic value creation	High	High	47, 55-56	Existing
4	Response to climate change	High	High	102-110	Existing
5	Social contribution using business characteristics	Medium	High	60-64	Existing
6	Energy management and reduction	High	Medium	103	New

# RESPONSE INITIATIVE LIST

## GRI INDEX

<b>Statement of use</b>	LOTTE WELLFOOD applied the GRI 2021 guidelines in reporting sustainability management for the period from January 1, 2023 to December 31, 2022.
<b>GRI 1 Used</b>	GRI : Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	Sector Standard for Agriculture, Aquaculture and Fishing(GRI 13) N/A(2022)

### Report on Material Issues

Classification	TOPIC	No	Disclosure	Page	Remark
Materiality	GRI 3 : Material Topics 2021	3-1	Process to determine material topics	88-89	
		3-2	List of material topics	88-89	
1. Product development considering sustainability, such as customer health and safety	Material Topics 2021	3-3	Management of material topics	54-56	
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	85	
	Marketing and labeling	417-1	Requirements for product and service information and labeling	54	
		417-2	Incidents of non-compliance concerning product and service information and labeling	85	
2. Sustainable management of raw materials and packaging materials	Material Topics 2021	3-3	Management of material topics	33-36	
	Raw materials	301-1	Materials used by weight or volume	35	
3. Diversification of economic value creation	Material Topics 2021	3-3	Management of material topics	47, 55-56	Unique indicator under development

Classification	TOPIC	No	Disclosure	Page	Remark
4. Response to climate change	Material Topics 2021	3-3	Management of material topics	102-110	
	Energy	302-3	Energy intensity	103	
	Emissions	305-4	GHG emissions intensity	107	
5. Social contribution using business characteristics	Material Topics 2021	3-3	Management of material topics	60-64	
	Local communities	203-1	Infrastructure investments and services supported	60-64	
6. Energy management and reduction	Material Topics 2021	3-3	Management of material topics	103	
	Energy	302-1	Energy consumption within the organization	103	
		302-3	Energy intensity	103	

# RESPONSE INITIATIVE LIST

## GRI 2: General Disclosures 2021

Classification	No	Disclosure	Page	Remark
Organization and reporting practices	2-1	Organizational details	11, 17	
	2-2	Entities included in the organization's sustainability reporting	2, 17	
	2-3	Reporting period, frequency and contact point	2	
	2-4	Restatements of information	75, 85-87, 103-104	
	2-5	External assurance	2, 94-95	
Activities and workers	2-6	Activities, value chain and other business relationships	14-16, 33, 57	
	2-7	Employees	80-84	
	2-8	Workers who are not employees	80	
Governance	2-9	Governance structure and composition	68-70	
	2-10	Nomination and selection of the highest governance body	68-70	2024 Corporate Governance Report [304300] (Detailed principle 4-3)
	2-11	Chair of the highest governance body	68-70	
	2-12	Role of the highest governance body in overseeing the management of impacts	23, 69, 102	
	2-13	Delegation of responsibility for managing impacts	23, 69, 102	
	2-14	Role of the highest governance body in sustainability reporting	69, 88, 102	
	2-15	Conflicts of interest	-	2024 Corporate Governance Report [202200] (Detailed Principle 2-2)
	2-16	Communication of critical concerns	68-69, 88	
	2-17	Collective knowledge of the highest governance body	68-70	
	2-18	Evaluation of the performance of the highest governance body	25, 70	
	2-19	Remuneration policies	70	
	2-20	Process to determine remuneration	70	
	2-21	Annual total compensation ratio	70	

Classification	No	Disclosure	Page	Remark
Strategy, policy and practices	2-22	Statement on sustainable development strategy	4-5	
	2-23	Policy commitments	31, 33, 52-53, 57, 71-73, 78	
	2-24	Embedding policy commitments	4-5, 31, 33, 52-53, 57, 71-73, 78	
	2-25	Processes to remediate negative impacts	48, 65-66, 72-73	
	2-26	Mechanisms for seeking advice and raising concerns	48, 65-66, 72-73	
	2-27	Compliance with laws and regulations	86	p.345 of 1Q 2024 business report
	2-28	Membership associations	96	
	2-29	Approach to stakeholder engagement	28	
Stakeholder engagement	2-30	Collective bargaining agreements	52, 84	

# RESPONSE INITIATIVE LIST

## Economic Topics (GRI 200, GRI 300)

Classification	No	Disclosure	Page	Remark
GRI 201 : Economic Performance 2016	201-1	Direct economic value generated and distributed	87	
	201-2	Financial implications and other risks and opportunities due to climate change	105-106	
	201-3	Defined benefit plan obligations and other retirement plans	60-64	
	201-4	Financial assistance received from government	60-64	
GRI 203 : Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	60-64	
	203-2	Significant indirect economic impacts	60-64	
GRI 205 : Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	72-73, 86	
	205-2	Communication and training about anti-corruption policies and procedures	72-73, 86	
	205-3	Confirmed incidents of corruption and actions taken	72-73, 86	
GRI 206 : Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	86	
GRI 207 : Tax 2019	207-1	Approach to tax	78	
	207-2	Tax governance, control, and risk management	78	
	207-3	Stakeholder engagement and management of concerns related to tax	78	
GRI 301 : Materials 2016	301-1	Materials used by weight or volume	35	
	301-2	Recycled input materials used	-	Preparing to calculate data
	301-3	Reclaimed products and their packaging materials	-	
GRI 302 : Energy 2016	302-1	Energy consumption within the organization	103	
	302-3	Energy intensity	103	

Classification	No	Disclosure	Page	Remark
GRI 302 : Energy 2016	302-4	Reduction of energy consumption	103	
GRI 303 : Water and Effluents 2018	303-1	Interactions with water as a shared resource	39	
	303-2	Management of water discharge-related impacts	40	
	303-3	Water withdrawal	39	
	303-4	Water discharge	39	
	303-5	Water consumption	39	
GRI 304 : Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	42	
	304-2	Significant impacts of activities, products, and services on biodiversity	41, 44	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	42	
GRI 305 : Emissions 2016	305-1	Direct (Scope 1) GHG emissions	107	
	305-2	Energy indirect (Scope 2) GHG emissions	107	
	305-3	Other indirect (Scope 3) GHG emissions	32, 107-108	
	305-4	GHG emissions intensity	107	
	305-5	Reduction of GHG emissions	107	
GRI 306 : Waste 2020	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant emissions	40	
	306-3	Waste generated	38	
	306-4	Waste diverted from disposal	33, 38	
GRI 308 : Supplier Environmental Assessment 2016	306-5	Waste directed to disposal	37-38	
	308-1	New suppliers that were screened using environmental criteria	57-58	

# RESPONSE INITIATIVE LIST

## Social Topics (GRI 400)

Classification	No	Disclosure	Page	Remark
GRI 401 : Employment 2016	401-1	New hires and employee turnover	83	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	48	
	401-3	Parental leave	81	
GRI 403 : Occupational Health and Safety 2018	403-1	Occupational health and safety management system	49	
	403-2	Hazard identification, risk assessment, and incident investigation	51	
	403-3	Occupational health services	50-51, 85	
	403-4	Worker participation, consultation, and communication on occupational health and safety	49	
	403-5	Worker training on occupational health and safety	51, 85	
	403-6	Promotion of worker health	48, 51	
	403-7	Prevention and mitigation of occupational health and safety impact directly linked by business relationships	51, 58	
	403-8	Workers covered by an occupational health and safety management system	49	
	403-9	Work-related injuries	50, 85	Excluded due to insufficient data from suppliers
	403-10	Work-related ill health	50, 85	
GRI 404 : Training and Education 2016	404-1	Average hours of training per year per employee	81	
	404-2	Programs for upgrading employee skills and transition assistance programs	46, 81	
	404-3	Percentage of employees receiving regular performance and career development reviews	84	
GRI 405 : Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	69, 80, 83	
	405-2	Ratio of basic salary and remuneration of women to men	84	

Classification	No	Disclosure	Page	Remark
GRI 413 : Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	60-64	
GRI 416 : Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	85	
GRI 417 : Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	54	
	417-2	Incidents of non-compliance concerning product and service information and labeling	85	
	417-3	Incidents of non-compliance concerning marketing communications	85	
GRI 418 : Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	74	

# RESPONSE INITIATIVE LIST

## SASB INDEX

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

Topic	Metrics	Category	Unit of Measure	Code	Page
Energy Management	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-PF-130a.1	103
Water Management	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m <sup>3</sup> ), Percentage (%)	FB-PF-140a.1	39
	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Quantitative	Number	FB-PF-140a.2	-
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion	n/a	FB-PF-140a.3	39-40
Food Safety	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Quantitative	Rate	FB-PF-250a.1	85
	Percentage of ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognised food safety certification program	Quantitative	Cost, Percentage (%)	FB-PF-250a.2	85
	(1) Total number of notices of food safety violation received, (2) percentage corrected	Quantitative	Number, Percentage (%)	FB-PF-250a.3	85
	(1) Number of recalls issued and (2) total amount of food product recalled <sup>1</sup>	Quantitative	Number, Metric tons (t)	FB-PF-250a.4	85
Health & Nutrition	Revenue from products labelled and/or marketed to promote health and nutrition attributes	Quantitative	Presentation currency	FB-PF-260a.1	85
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	Discussion	n/a	FB-PF-260a.2	55-56
Product Labelling & Marketing	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines	Quantitative	Percentage (%)	FB-PF-270a.1	-
	Revenue from products labelled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Quantitative	Presentation currency	FB-PF-270a.2	-
	Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	Quantitative	Number	FB-PF-270a.3	85
	Total amount of monetary losses as a result of legal proceedings associated with labelling and/or marketing practices	Quantitative	Presentation currency	FB-PF-270a.4	91
Packaging Lifecycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	Quantitative	Metric tons (t), Percentage (%)	FB-PF-410a.1	34-35
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion	n/a	FB-PF-410a.2	33-35
Environmental & Social Impacts of Ingredient Supply Chain	Percentage of food ingredients sourced that are certified to third-party environmental or social standards, and percentages by standard	Quantitative	Cost, Percentage (%)	FB-PF-430a.1	36
	Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Quantitative	Rate	FB-PF-430a.2	-
Ingredient Sourcing	Percentage of food ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Cost, Percentage (%)	FB-PF-440a.1	-
	List of priority food ingredients and discussion of sourcing risks related to environmental and social considerations	Discussion	n/a	FB-PF-440a.2	-

# GHG EMISSION ASSURANCE STATEMENT

## LOTTE WELLFOOD Co., Ltd.

The Korea Management Registrar Inc. (hereinafter "KMR") has conducted the verification on the greenhouse gas (hereinafter "GHG") emission (Scope 1, 2) of Lotte WELLFOOD Co., Ltd. (hereinafter "the Company") in 2023.

### SCOPE

Verification of all places of business and emission facilities under the control of the company.

### STANDARDS

- ISO 14064-3:2019
- IPCC Guidelines for National Greenhouse Gas Inventory
- Operational Guidelines for Reporting and Certification of Emissions in the GHG Emission Trading Scheme
- Verification Guidelines for GHG Emissions Trading Scheme Operation
- Guidelines for GHG Target Management Scheme Operation

### PROCEDURE

We conducted a risk analysis approach and on-site verification based on data evaluation, and we identified the appropriateness of the data and factors applied to GHG emission calculations based on objective evidence. The verification team verified the GHG emissions during the reporting period in a reasonable way based on the verification guidelines.

### INDEPENDENT

KMR does not have any stake in the verified entity and does not conduct verification with biased opinions/views. We have drawn an independent and objective verification conclusion based on the verification standards, and reviewed the every aspect of the verification we performed throughout the entire verification process through internal review

### LIMITATIONS

The verification team verified the related reports, information and data presented by the audited institution by sampling or enumeration methods. As a result, there are many inherent limitations, and there may be disagreements in the interpretation of appropriateness. Although we have tried to faithfully perform verification that meets the verification standards, we suggest that errors, omissions, and false statements that could not be found may be latent as the limitations to the verification.

### OPINION

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

• GHGs Emission(All places)

GHGs Emission	Direct emission (Scope1)	Indirect emission (Scope2)	Total (tCO <sub>2</sub> -eq)
2023	60,030	147,218	207,165

Energy Consumption	Fuel	Electricity	Steam	Total (TJ)
2023	1,147	2,925	178	4,250

\* Note : There is a difference in the total amount of emissions and emissions by greenhouse gas and by workplace. (Total emissions are cut to a decimal point for each workplace unit and emissions are summed up for each workplace unit.)

### RESULTS

We confirm through verification that the emissions from major emission facilities have been calculated and reported without omission.



March 28, 2024  
Authorized By CEO **Eun Ju Hwang**

\* The abovementioned company is responsible for preparing verification data in accordance with the "Guidelines for Reporting and Certification of Emissions in the Greenhouse Gas Emissions Trading System (Ministry of Environment Notice No. 2021-278)", and KMR's responsibility is limited to the party in the verification contract according to the agreed contract terms, and is not responsible for other decisions, including investment decisions based on this verification statement.

\* The abovementioned company must comply with the use of the certification and logo marks under the contract entered into with KMR.

# INDEPENDENT ASSURANCE STATEMENT

Dear Management and Stakeholders of LOTTE WELLFOOD

## Introduction

Korean Standards Association ("KSA") was commissioned by LOTTE WELLFOOD("the Company") to perform a third-party Assurance Engagement of '2023 LOTTE WELLFOOD Sustainability Report'("the Report"). KSA presents independent opinions as follows as a result of the feasibility of the data contained in this Report. The Company has sole responsibility for the content and performance contained in this Report.

## Independence

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

**Assurance Standards:** AA1000AS v3

**Assurance Level and Type:** Moderate, Type2

Note: Moderate assurance has a lower level of confidence than high assurance because it is based on limited evidence.

## Assurance Scope

The assurance scope includes systems and activities such as sustainability management policies, goals, businesses, standards, and achievements of the Company during the reporting period. While the Company's environmental and social data, as well as financial data in a broad sense, was verified, the scope of review concerning stakeholder engagement was limited to the materiality assessment process.

- In adherence with the four principles of AA1000AP(AccountAbility Principles) 2018
- In accordance with GRI Standards 2021

**Topic Standards:** 201-1~2, 203-1~2, 205-1~3, 206-1, 207-1~3, 301-1, 302-1, 302-3~4, 303-1~5, 304-1~2, 304-4, 305-1~5, 305-7, 306-3~5, 308-1, 401-1~3, 403-1~10, 404-1~3, 405-1~2, 416-2, 417-1~3, 418-1

## Assurance Methodology

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

- Confirmation of stakeholder participation and materiality assessment process by the sustainability expert.
- Verification of environmental information disclosure data and information by the environmental expert.
- Examination of internal documents and basic materials.

## Assurance limitations

KSA assumed that the data and evidence provided by the Company were complete and sufficient. KSA provided limited assurance through data inquiry and analysis as well as limited sampling methods.

## Assurance Results and Opinions

KSA reviewed the draft version of this Report within the scope of this assurance and presented our opinions as an assurance provider. Modifications were made to the Report content if deemed necessary. KSA were not aware of any suspicions of significant errors or inappropriate descriptions in this Report as a result of our Assurance Engagement. As such, KSA present our opinions of the '2023 LOTTE WELLFOOD Sustainability Report' as follows.

### Four principles of AA1000AP(AccountAbility Principles) 2018

#### Inclusivity

Has the Company engaged its stakeholders in strategically responding to sustainability?

KSA believes the Company is aware of the importance of stakeholder participation and is making an all-out effort to establish a process that will increase their participation. The Company has selected stakeholders including customers, shareholders and investors, employees, suppliers, local communities/NGOs, and government/media/associations and has communication channels for each group to receive diverse feedbacks and opinions.

#### Materiality

Has the Company included material information in the Report to help stakeholders make informed decisions?

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

#### Responsiveness

Has the Company appropriately responded to stakeholder requirements and interest in this Report?

KSA verified that the Company responded to stakeholders' needs and interests by reflecting stakeholders' opinions in the Report. KSA is not aware of any evidence that the Company's response to significant issues of stakeholders was reported inappropriately.

#### Impact

Has the Company appropriately monitored its impact on the stakeholders?

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

#### Reliability and quality of specified performance

Has the Company appropriately collected and disclosed specified performance information based on a reliable process?

The assurance provider performed a reliability assurance of the sustainability performance information on the subject of Type2 assurance. To assure this information, interviews were conducted with relevant personnel, and it was determined that the performance information disclosed in the Report was collected and disclosed based on a reliable process and evidence. Additionally, no evidence was found indicating that specific sustainability information was inaccurately reported.

June 2024



KSA Chairman & CEO **Myung Soo Kang**

# ASSOCIATION MEMBERSHIP AND AWARD

## Association Membership

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

## 2021~2023 Major Activities & Awards

2021	May	Became the first in the industry to provide eco-friendly electric vehicles to all sales staff (former LOTTE FOODS)
	Jun.	Completed the production facility expansion project at Gimcheon plant
	Jul.	LOTTE CONFECTIONERY declared 'Sweet ESG Management'
	Dec.	Safety and health management system (ISO45001) certification
2022	Dec.	Established a separate corporation for 'Lotte Fresh Delica', a subsidiary
	Jan.	Use of the Rainforest Alliance (RA) certified vanilla bean and MOU for vanilla flavoring technology
	Jul.	Established an integrated corporation through the merger of LOTTE CONFECTIONERY and LOTTE FOOD
	Aug.	Signed a business agreement with Aspire Food Group for partnership and business expansion in the alternative protein industry
2023	Aug.	Signed a business agreement with Hyundai Oilbank for a joint bio project to expand eco-friendly energy production
	Aug.	Signed a business agreement with the Korean Dental Association for the 'Healthy Teeth Korea' campaign
	Dec.	Won a commendation from the Minister of Trade, Industry and Energy at the '2022 Sustainable Management Merit Government Award'

2022	Dec.	Won a commendation from the Minister of Food and Drug Safety in recognition of contributions to export expansion of canned ham
	Dec.	Won the Minister of Environment Award at the 12th Green Packaging Contest
2023	Mar.	Won the Minister of Environment Award as an excellent company for K-EV100 initiative
	Jun.	Won the gold award at the DLG (Deutsche Landwirtschafts-Gesellschaft) International Food Fair (Uiseong Garlic Ham)
	Nov.	Received a plaque of appreciation from the Minister of Patriots and Veterans Affairs in commemoration of Patriots and Veterans Month
	Dec.	Won the Minister of Environment Award on the 18th Environmental Science and Technology Day
	Dec.	Won the "100 Million Dollar Export Tower" on the 60th Trade Day
	Dec.	Received a commendation for excellence in safety management campaign
	Dec.	Won the 2023 Red Dot Award (Brand & Communication Category) (Pepero Braille Package)
Dec.	Won the 2023 Red Dot Award (Xylitol Music Box)	
Dec.	Won the 2023 iF Award (Xylitol Music Box)	

Published by: ESG Team and Employees of LOTTE WELLFOOD

# FORWARD-LOOKING STATEMENTS

LOTTE WELLFOOD's 2023 Sustainability Report contains forward-looking statements, which are recommended to be considered when making decisions related to the company.

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

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

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

2023 LOTTE WELLFOOD Sustainability Report

# FOODMATE FOR SUSTAINABLE WELLNESS

