



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

ESG Team of LOTTE WELLFOOD

- Address: 10 Yangpyeong-ro 21-gil, Yeongdeungpo-gu, Seoul
- Tel : +82-2-2670-6250, 6307
- E-mail : lconf_esg@lotte.net

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."

CONTENTS

PART. 1 Report on Performances Based on ESG Strategy System

INTRODUCTION

About This Report	02
Contents	03
Leader's Message	04
Performance for One Year After The Merger	06

COMPANY OVERVIEW

Company Overview	11
Business Overview	14

SUSTAINABILITY MANAGEMENT

Sustainability Overview	19
Stakeholder Engagement	28

APPENDIX

ESG Fact Book	80
Double Materiality Assessment	88
Response Initiative List	90
GHG Emission Assurance Statement	95
Independent Assurance Statement	96
Association Membership and Award	97
Forward-looking Statements	98

SUSTAINABILITY PERFORMANCE



WELLNESS FOR EARTH

Contributing to the Transition to Low Carbon Economy	31
Establishing a Circular Economy	33
Enhancing Responsibility for Water Resource	39
Protecting Local Community Environment	40

WELLNESS FOR SOCIETY

Workplace Respecting Safety, Human Rights, and Diversity	46
Compliance Management	54
Enhancing Shareholder & Investor Value and Active Communication	57
Strengthening Social Contribution and Communication	60

WELLNESS FOR COMPANY

Securing the Independence and Expertise of the BOD	68
Compliance Management	72
Enhancing Shareholder & Investor Value and Active Communication	75
Integrating Financial & Non-financial Risk Management	76

PART. 2 IFRS S2 Climate-related Disclosures

CLIMATE-RELATED DISCLOSURES

General Information	100
Identifying Climate-related Risks and Opportunities, and Material Information	101
Topic-specific Disclosure	102
Appendix	111



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.

PART. 2

IFRS S2 Climate-related Disclosures

LOTTE WELLFOOD Co., Ltd. (formerly LOTTE CONFECTIONERY Co., Ltd.)
and subsidiaries

Fiscal Year (7th):

From Jan. 01 to Dec. 31, 2023

General Information	100
Identifying Climate-related Risks and Opportunities, and Material Information	101
Topic-specific Disclosure	102
Appendix	111

GENERAL INFORMATION

Company Overview

Lotte WELLFOOD Co., Ltd. (formerly LOTTE CONFECTIONERY Co., Ltd.) (hereinafter referred to as the “Parent Company”) and its subsidiaries (hereinafter referred to as the “Consolidated Company” including the Parent Company and its subsidiaries) are engaged in the production of confectionery, ice cream, bakery products, edible oils, processed meat products, and more, selling these products in both domestic and overseas markets. The company merged with LOTTE FOODS Co., Ltd. on July 1, 2022, and changed corporate name to LOTTE WELLFOOD Co., Ltd. on April 1 with the resolution at the general shareholders' meeting in March 2023. The consolidated companies conduct manufacturing and sales operations in the areas of confectionery, ice cream, edible oils, processed meats, and home meal replacements (HMR). For detailed information on the primary business activities, please refer to the business report.

Subsidiaries Subject to Reporting

As of the end of the reporting period, there are a total of 34 consolidated subsidiaries, with 6 major subsidiaries. For detailed information, refer to “1. Status of Consolidated Subsidiaries (Details) in XII. Details” of the business report.

Presentation Currency

The Consolidated Company measures items included in the financial statements of individual companies using the currency of the primary economic environment in which each business operates (the “functional currency”). The functional currency of the Parent Company is Korean Won, and the consolidated financial statements are presented in Korean Won.

Reporting Standard

The Consolidated Company's financial statements have been prepared in accordance with Korea International Financial Reporting Standards (hereinafter referred to as “corporate accounting standards”). Consolidated financial information related to sustainability has been prepared in accordance with the “IFRS Sustainability-related Financial Information Disclosure Standards” announced by the International Sustainability Standards Board (“ISSB”).

IDENTIFYING CLIMATE-RELATED RISKS AND OPPORTUNITIES, AND MATERIAL INFORMATION

Identification of Climate-related Risks and Opportunities

The Consolidated Company has considered the following to identify climate change-related risks and opportunities that can reasonably be expected to affect the Company's financial and non-financial performance.

- IFRS S2 disclosure standards
- Business area indicators of SASB Processed Foods category
- Guidance on applying the CDSB Framework for Water and Biodiversity
- Sustainability-related disclosure topics of peer companies

Identification of Applicable Disclosure Requirements

The Consolidated Company has applied the disclosure requirements of the "IFRS S2 Climate Disclosure Standard" to disclose information on risks and opportunities related to "climate change response." In addition, we reviewed whether the indicators related to the disclosure topics of the SASB standards were suitable for the purpose of other sustainability-related issues other than climate and reviewed whether companies could apply them. Accordingly, the Consolidated Company applied the disclosure topics and indicators of the Processed Foods business area among the SASB standards.

Identification of Material Information

The Consolidated Company analyzes the possible consequences of identified climate-related risks and opportunities and the financial impact on the company over the short, medium and long term, and considers the scale and likelihood of possible consequences and the duration of the impact. Information has been identified.

- Basis for impact identification: Gathering opinions from major stakeholders
- Definition of impact: Creation of possible outcomes and paths to business impact and financial impact resulting from identified risks and opportunities
- Result of materiality assessment: The Consolidated Company determined that "climate change response" is one of the important pieces of information in the context of climate-related financial disclosure

TOPIC-SPECIFIC DISCLOSURE

Response to Climate Change

Governance

Governance

1. Decision-making body responsible for overseeing climate-related risks and opportunities

The Consolidated Company is responding to climate-related risks and opportunities through the ESG Committee under the Board of Directors and the ESG Council led by the management. The roles and responsibilities of these decision-making bodies are stipulated in the Board of Directors regulations and the company's internal regulations.

Establishment and supervision of climate-related strategies: The ESG Committee recognizes climate-related risks, reviews response measures to minimize them, and manages and supervises risks and opportunities resulting from climate change. The ESG Council, chaired by the CEO, is a working-level consultative body comprised of executives from all business divisions, and supervises practices and plans related to sustainable management, including response to climate change by department.

Guidance on climate-related information and consideration of risks and opportunities: The ESG Committee convenes at least once a quarter and makes decisions by receiving reports from the ESG Council on ESG and climate-related issues, such as climate change-related risks and ESG-related businesses and investments. KPIs and goals related to climate response discussed at the ESG Committee are reflected in overall group management and management performance indicators after approval by the CEO.

Management and supervision of goal setting and progress: The implementation level and status of climate change-related indicators and goals are reviewed by the ESG team that supports the operation of the ESG Council. Results are reported to the ESG Committee periodically according to procedures. The ESG Committee evaluates KPIs related to climate response and carbon neutrality implementation based on achievement against goals and improvement compared to the previous year and approves the results.

2. Governance process for monitoring and oversight of climate-related risks and opportunities

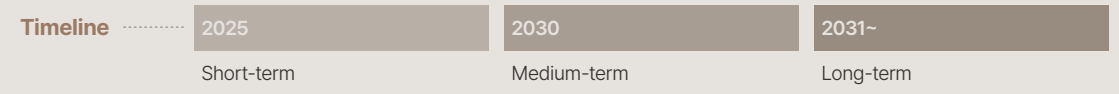
Based on the climate change risk response process, the Consolidated Company identifies and manages climate-related risks that may arise throughout the entire business process. If climate-related risks are expected when conducting or investing in a new business, the financial strategy division and ESG Team identify the risks and report opinions and implementation matters to the ESG Council. The ESG Team, as an organization that supports the operation of the ESG Council, conveys the opinions of the decision-making body to the working department, manages the status of environmental and climate change response activities within the workplace, and supports management in supervising climate-related risks and opportunities.

Strategy

Climate-related Risks and Opportunities

1. Identification of Climate-related Risks and Opportunities

In relation to climate change risks, the consolidated company divides them into "transition risks" arising from the process of transitioning to a low-carbon economy and "physical risks" resulting from abnormal climate events, and identifies climate-related issues, including opportunity factors related to climate change. Considering business strategy and government policy, the consolidated company analyzed the short-term, medium-term, and long-term ranges over which climate-related risks and opportunities are expected to occur.



Business Model and Value Chain

1. Impact on Business Model and Value Chain

As climate change affects the production of major crops, the likelihood of issues related to raw material supply is increasing. Accordingly, corporate responsibility for responding to climate change is being strengthened and related regulations are also tightening globally. Additionally, as consumer interest in climate change and environmental issues increases, the eco-friendly food market is expanding. These market changes are having a direct and indirect financial impact on our business activities and value chain.

2. Areas where climate-related risks and opportunities are concentrated

The Consolidated Company identifies areas where risks and opportunities are concentrated within the value chain and reflects the results in establishing sustainable strategies.

Geographical area: The raw materials used to produce products, such as flour, cocoa, and sugar, are processed and refined from agricultural crops. The production of these crops is reduced or their quality is affected due to abnormal weather events such as heat waves, droughts, and heavy rains. Accordingly, risks such as unstable supply of raw materials and increased supply chain costs are expected, but at the same time, new business opportunities are expected to be created, such as variety development and conversion, and expansion of the ice cream market.

* Supply countries (regions) by major raw materials: Sugar (Korea), cocoa (Ghana, Ecuador), flour (Korea), processed oil (Malaysia), imported batteries (Spain), etc.

TOPIC-SPECIFIC DISCLOSURE

Facilities and types of assets: As the Consolidated Company operates 17 domestic and 21 overseas production plants, a large amount of energy is consumed, and greenhouse gases are emitted in the production process. Additionally, a significant amount of carbon is emitted from the 1,659 vehicles we own (698 for business use, 961 for product distribution and sales). As carbon emissions regulations are tightening, the cost burden related to eco-friendly energy and environmental regulations is expected to increase.

Product Area: The domestic confectionery market, which is mainly dominated by large confectionery companies, has recently faced increasing competition from restaurants, food specialty stores, and overseas brands due to increased demand for various foods and changes in consumer awareness of food safety and health. Accordingly, creating new growth opportunities, such as developing premium products and launching functional foods, is becoming important.

Strategy and Decision-Making

1. Climate-related Risk and Opportunity Response Plan

Change in business model: To respond to the transition to a low-carbon economy and strengthened carbon emissions regulations, the consolidated company has established a roadmap to achieve carbon neutrality by 2040 and is working to transform the circular economy business model.

2. Efforts for Direct Mitigation and Adaptation

Transition to zero-emission vehicles: **Climate-related risks: Transition Risk-1, Transition Risk-2** To achieve our goal of transforming all commercial vehicles to zero-emission vehicles by 2025, we have provided all sales staff with electric vehicles for work and are also replacing delivery vehicles with electric vehicles. In addition, as a result of our active participation in K-EV100 (Korean zero-emission vehicle conversion initiative), we received the Minister of Environment Award in the commercial vehicle category among 332 domestic companies.

(Unit: vehicles, %)

Classification	Goal for 2025	Performance in 2023	Achievement Rate
Transition to zero-emission vehicles	1,659	820	49.4

Introduction of renewable energy: **Climate-related risks: Transition Risk-1, Transition Risk-2, Transition Risk-4** In April 2023, our company joined the global RE100 (Renewable Electricity 100) initiative and established a goal of replacing 50% of our electricity usage with renewable energy by 2030 and 100% of our electricity usage with renewable energy by 2040. To expand the use of renewable energy, we have established measures such as Power Purchase Agreement (PPA) and Renewable Energy Certificate (REC) and are operating solar power generation at eight production plants, including Cheonan Plant, Hoengseong Plant, and Gimcheon Plant. We also support small and medium-sized suppliers' investment in technology to improve aging facilities and quality.

(Unit: MWh)

Energy Consumption (Electricity)			Major Energy Saving Activities	
Goal for 2023	Consumption in 2023	Reduction	Classification	Activities
343,656	304,304	39,352	Cheonan Plant	Replacement of old boilers / recycling of heavy water
			Cheongju Plant	Increase in the unit weight of meat processing products / increase in sterilizer efficiency / adjustment of heating equipment temperature to increase the efficiency of cleaning water hot water / replacement of vacuum pump / change in the mixing process of the refrigeration line
			Pyeongtaek Plant	Automatic water level control of the washing machine
			Hoengseong Plant	Installation of the Icebuilder inverter

Domestic Business Sites (excluding subsidiaries)

Classification	Unit	2021	2022	2023	
Product production volume	Ton	201,279	571,197	567,430	
Energy consumption	Electricity	193,147	314,572	304,304	
	Gasoline	226	133	112	
	Diesel	3,104	2,995	2,113	
	City gas (LNG/CNG)	1,000Nm ³	10,622	13,855	24,134
	Steam ²⁾	TJ	161	210	178
	Propane	Ton	509	616	475
	Others	TJ	-	-	3
	Total	TOE	58,753	89,844	96,840
	TJ	2,551	4,379	4,250	
Intensity	TJ/product ton ¹⁾	0.013	0.008	0.007	
Renewable energy consumption	Solar power	kWh	1,286,739	1,122,457	

1) Product production volume

2) Correction to include some business sites (Poseung Plant, Ansan Plant) excluded from the environmental disclosure system

Introduction of eco-friendly packaging: **Climate-related risks: Transition risks-3** **Climate-related opportunities: Opportunity-11** We are reducing waste caused by packaging materials by promoting Sweet Eco 2025, a medium-to long-term eco-friendly packaging campaign. The campaign consists of three detailed tasks of "plastic reduction, eco-friendly printing, and use of eco-friendly paper" and aims to create results by 2025.

TOPIC-SPECIFIC DISCLOSURE

(Unit: ton, %)

Classification	Detailed Activities	Goal for 2025	Performance in 2023	Achievement Rate
Reduction of plastic consumption	Replace plastic buffers and plastic forks with paper materials	815	607	75
Pursuit of eco-friendly printing	Simplify packaging design and adopt Flexo printing ¹⁾ method	550	487	89
Eco-friendly paper packaging material consumption	Process cacao fruit by-products and use them as eco-friendly paper packaging material	4,200	1,504	36

1) Unlike gravure printing, Flexo printing can reduce ink usage through embossed printing. It is an environmentally friendly printing method that allows copper-free printing without using organic solvents, which were essential when printing existing packaging paper.

Water resource management: **Climate-related risks:** Transition risk-5, Transition risk-6 **Climate-related opportunities:** Opportunity-10 We manage water usage based on intensity and carry out activities such as replacing and improving factory water facilities, reusing cooling water, and preventing water leaks. We monitor the water stress index of domestic and overseas plants to manage the impact, and discover opportunities to save water by calculating and diagnosing water resource usage at each business site.

Classification	Unit	2021	2022	2023
Product production volume	Ton	201,279	571,197	567,430
Water intake ¹⁾	Total	1,631,686	3,844,489	3,408,646
	Intensity ²⁾	Ton/product ton ³⁾	8.11	6.73
Wastewater discharge ¹⁾	Total	1,646,177	2,915,756	2,350,083
	Water recycled	Total amount of recycled water	-	56,751
Water recycling rate ⁴⁾		%	-	1.95

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

2) Correction due to calculation error

3) Product usage

4) Correction due to the change of calculation method (total amount of recycled water / wastewater discharge x 100)

Sustainable use of raw materials: **Climate-related Opportunities:** Opportunity-12 Excessive production of palm oil, a vegetable oil, is causing problems of nature damage, biodiversity loss, and human rights violations (child labor and forced labor) in developing countries. We have joined RSPO to ensure sustainability in palm oil sourcing. Additionally, to ensure the sustainability of procurement of coffee beans and vanilla beans, we are expanding the production of products using raw materials that have obtained international fair trade certification and Rainforest Alliance (RA) certification.

Procurement of Sustainable Raw Materials

(Unit: ton)

Classification	2023
Coffee beans	231.4
Vanilla bean	1.2
Crude oil	160.8
Total	393.4

3. Efforts for Indirect Mitigation and Adaptation

Expansion of eco-friendly consumption trends: **Climate-related risks:** Transition risks-3 **Climate-related opportunities:** Opportunity-12 As problems such as climate change, resource depletion, and environmental pollution increase, the market for eco-friendly products is expanding. In response to this, we are proactive in using sustainable raw materials (RA, RSPO, ISCC, etc.) and introducing Health & Wellness products.

Diversification of raw material procurement channels: **Climate-related risks:** Physical risks-8 **Climate-related opportunities:** Opportunity-12 Climate change is likely to have a negative impact such as a decline in crop productivity and a subsequent increase in raw material purchase costs. Accordingly, when establishing our management plan every year, we consider the impact of climate change and apply purchasing costs. In addition, we are pursuing diversification of origin, adjustment of specifications, and securing additional suppliers.

Financial impact and Climate resilience assessment

1. Climate-related Scenario Analysis

Selection of Climate-Related Scenarios: To understand the impact of climate change-related transition and physical risks on our business, we have applied the RCP 2.6 and RCP 8.5 scenarios from the IPCC's Fifth Assessment Report. The RCP 2.6 scenario (2°C scenario) assumes the implementation of strong climate change mitigation policies, leading to a significant reduction in greenhouse gas emissions, a relatively lower level of warming, and a considerable decrease in future greenhouse gas emissions from current levels. On the other hand, the RCP 8.5 scenario (4°C scenario) assumes that greenhouse gas emissions remain at very high levels in the future. This scenario is based on the continued large-scale use of fossil fuels, predicting severe impacts from climate change and representing the most pessimistic outlook.

* IPCC (Intergovernmental Panel on Climate Change) is an intergovernmental consultative body on climate change, an international organization created to assess global risks related to climate change and prepare international measures.

Analysis period and business scope: 2030 and 2050 were set as the period range to analyze the impact of climate-related risks and opportunities. We conducted a scenario analysis of climate-related risks and opportunities for domestic business sites (headquarters and 17 production plants).

Climate-related scenario analysis and assumptions: When analyzing scenarios, various parameters were selected to quantitatively evaluate climate-related risk and opportunity factors. Based on the scenario analysis period range, we referred to reports from the Korea Meteorological Administration, National Statistical Office, and IEA (International Energy Agency). We also assumed variables such as climate policies in the jurisdictions in which the company operates, macroeconomic trends, national or regional level variables (typhoons, heat waves, fine dust, etc.), energy use, and energy mix.

Reporting period: In this report, climate-related scenario analysis for the next 28 years (~2050) was conducted as of December 31, 2023. We applied scenarios based on climate-related risks and opportunities identified during the period, and we consider climate resilience through analysis of climate factors and scenarios expected to impact our business.

TOPIC-SPECIFIC DISCLOSURE

2. Financial Impacts from Climate-related Risks and Opportunities

Financial impact for the current fiscal year: We identify the financial impact of climate-related risks and opportunities on the company within the reporting period and prepare a plan to finance the implementation of the strategy.

Classification	Climate Change Factor	Risk and Opportunity Factor	Accounting Item	Funding Options for Strategy Implementation and Impact on Accounts	Impact of Risks and Opportunities Current Fiscal Year (2023) (KRW in millions)
Transition risks Policy and Legal	Carbon regulations	1 Increase in carbon emission price and emission credit purchase cost	<ul style="list-style-type: none"> Operating expenses Emission credit liabilities 	<ul style="list-style-type: none"> Reduction in emission credit liabilities due to expansion of renewable energy supply contracts and reduction in operating expenses due to reversal 	-
		2 Acceleration of transition to low-carbon energy sources due to expansion of regulations such as EU's ETS and CBAM	<ul style="list-style-type: none"> Operating expenses Cash flows from operating activities 	<ul style="list-style-type: none"> Increase in costs due to signing renewable energy supply contracts using in-house reserves and decrease in cash flow from operating activities 	140
	Regulation of plastic use	3 Increased R&D costs for alternative materials due to expanded regulations on the use of plastic packaging materials	<ul style="list-style-type: none"> Operating expenses Cash flows from investing activities Cash flows from operating activities 	<ul style="list-style-type: none"> Increase in costs due to investment in alternative materials R&D using in-house reserves and decrease in cash flow from operating and investing activities 	95
	Energy efficiency	4 Increase in manufacturing facility investment costs in response to strengthened energy saving policies	<ul style="list-style-type: none"> Tangible assets Cash flows from investing activities 	<ul style="list-style-type: none"> Increase in tangible assets due to investment in high-efficiency manufacturing facilities and decrease in cash flow from investing activities 	6,000
	Water management	5 Increase in water supply fee due to tightening of related laws and regulations, including water use management regulations	<ul style="list-style-type: none"> Operating expenses Cash flows from operating activities 	<ul style="list-style-type: none"> Increase in operating expenses due to increase in water supply costs and decrease in cash flow 	4,600
		6 Increase in new facility investment, expansion, maintenance, and management costs in response to tightening water use related laws and regulations	<ul style="list-style-type: none"> Operating expenses Tangible assets Cash flows from operating activities Cash flows from investing activities 	<ul style="list-style-type: none"> Increase in costs and tangible assets due to replacement and improvement of new water facilities using in-house reserves, decrease in cash flow from operating and investing activities 	160
Physical risks Acute risks	Typhoon	7 Impacts on business sites and property - Damage to business sites - Loss in manufacturing	<ul style="list-style-type: none"> Non-operating expenses 	<ul style="list-style-type: none"> Maintenance and repair of structures expected to be damaged using in-house reserves Damage loss to tangible assets due to physical damage to business sites 	-
	Drought	8 Unstable supply of raw materials and increased supply chain costs (raw material costs, logistics costs) - Decrease in agricultural production	<ul style="list-style-type: none"> Costs of sales Cash flows from operating activities Operating expenses 	<ul style="list-style-type: none"> Increase in cost of sales and operating expenses due to increase in raw materials and logistics costs Increase in costs related to opening business partners to diversify raw material supply and demand 	-
	Heat wave	9 Damage to worker health - Increased risk of heat-related illnesses such as heat stroke	<ul style="list-style-type: none"> Non-operating expenses 	<ul style="list-style-type: none"> Increase in costs and decrease in cash flow due to employee health care 	-
Opportunities Resource efficiency	Water management	10 Reduction of product production costs by building infrastructure for efficient water use	<ul style="list-style-type: none"> Operating expenses Tangible assets Cash flows from operating activities Cash flows from investing activities 	<ul style="list-style-type: none"> Increase in costs and tangible assets due to replacement and improvement of new water facilities using in-house reserves, decrease in cash flow from operating and investing activities 	8
	Product and service	11 Minimizing share costs by reducing packaging material usage and changing materials	<ul style="list-style-type: none"> Operating expenses Cash flows from operating activities 	<ul style="list-style-type: none"> Decrease in operating costs due to reduction in manufacturing costs and increase in operating cash flow. 	370
	Market	12 Preemptive response to eco-friendly trends and expansion of opportunities to enter new markets - Expansion of portfolio including alternative meat	<ul style="list-style-type: none"> Operating revenue Cash flows from operating activities 	<ul style="list-style-type: none"> Increase in sales and operating cash flow due to entry into new markets 	970

TOPIC-SPECIFIC DISCLOSURE

Expected financial impact: Based on the RCP scenario, we analyzed the potential financial impact that climate-related risks and opportunities could have on the business. The results of the financial impact analysis from identified climate change risks and opportunity factors are reflected in the financial plan. (Unit: KRW in thousands)

Classification	Climate Change Factor	Risk and Opportunity Factor	Impact Range			Assumption (scenario)						Financial Impact					
			Short-term	Medium-term	Long-term	Target Parameter	Unit	2030		2050		2030		2050			
								RCP2.6	RCP8.5	RCP2.6	RCP8.5	RCP2.6	RCP8.5	RCP2.6	RCP8.5		
Transition risks	Policy and Legal	Carbon regulations	1	●	●	●	Increase in carbon emission price and emission credit purchase cost	Carbon tax	USD/tCO ₂	135	49.3	200	38.3	3,076,239	1,123,397	-	-
			2		●	●	Acceleration of transition to low-carbon energy sources due to expansion of regulations such as EU's ETS and CBAM	REC certificate purchase price	KRW/kwh	78.49	78.49	-	-	21,727	21,727	-	-
	Energy efficiency	Regulation of plastic use	3	●	●		Increased R&D costs for alternative materials due to expanded regulations on the use of plastic packaging materials	Government's plastic-free goal	%	20	-	-	-	15,584,000	111,200	-	16,230
			4		●	●	Increase in manufacturing facility investment costs in response to strengthened energy saving policies	Annual inflation rate	%	-	1.91	-	1.91	4,730,787	327,808	3,984,037	1,497,191
	Water management	Water management	5	●	●		Increase in water supply fee due to tightening of related laws and regulations, including water use management regulations	Water bill	KRW/m ³	-	770.1	-	828.8	-	78,578	-	277,392
			6	●	●		Increase in new facility investment, expansion, maintenance, and management costs in response to tightening water use related laws and regulations	-	-	-	-	-	-	480,000	480,000	-	-
Physical risks	Acute risks	Typhoon	7	●	●		Impacts on business sites and property - Damage to business sites - Loss in manufacturing	Number of influential typhoon occurrence days (forecast)	Days	5.6	5.7	6.7	6.9	151,277	180,992	153,979	186,395
		Drought	8	●	●		Unstable supply of raw materials and increased supply chain costs (raw material costs, logistics costs) - Decrease in agricultural production	-	-	-	-	-	-	2,454,545	10,909,091	5,727,273	20,727,273
		Heat wave	9	●	●		Damage to worker health - Increased risk of heat-related illnesses such as heat stroke	Average summer temperature	°C	25.2	25.8	25.3	27.6	414,000	910,800	496,800	2,401,200
Opportunities	Resource efficiency	Water management	10	●	●		Reduction of product production costs by building infrastructure for efficient water use	Water bill	KRW/m ³	770.1	770.1	-	-	44,708	48,126	-	-
	Product and service	Development of low-emission products	11	●	●		Minimizing share costs by reducing packaging material usage and changing materials	-	-	-	-	-	-	4,000	4,000	4,000	4,000
	Market	Customer behavior change	12	●	●		Preemptive response to eco-friendly trends and expansion of opportunities to enter new markets - Expansion of portfolio including alternative meat	Vegan food growth rate	%	2.28	-	-	-	3,372	9,506	4,896	34,080
								Global food/consumption growth forecast	Multiples	-	1.7	-	-	-	-	-	-
							Average annual plant-based food growth rate	%	-	-	18.6	-	-	-	-	-	-
							Market size	KRW 100 million	-	-	-	284	-	-	-	-	-

* Financial impact from Opportunity-12 is calculated based on meat products.

TOPIC-SPECIFIC DISCLOSURE

Risk Management

Risk Management

1. Climate-related Risk and Opportunity Management Process

To ensure business sustainability through a preemptive response to climate change, we have established a systematic process to identify and prepare for potential risks. The risk management process consists of risk analysis and identification, assessment, response and monitoring.

Risk analysis and identification: Based on the risk and opportunity element classification system of the TCFD recommendations, climate change factors are selected by analyzing SASB standards, domestic and foreign industry benchmark data, stakeholder requirements, and direct and indirect impacts on the business. Transition risk and physical risk are defined as essential response factors to policies and regulations and factors that are expected to directly increase costs. Opportunity factors are defined as factors that are likely to lead to increased product sales and new business creation opportunities due to climate change.

Risk assessment: We evaluate risks based on the likelihood of occurrence of climate-related risks and their business impact and set the level of importance by considering the characteristics of our business, mandatory/optional implementation, and financial impact assessment results. Key risk and opportunity factors are analyzed for business impact through climate change scenario analysis. Based on reports published by the Korea Meteorological Administration, National Statistical Office, and IEA, we investigated parameter information for each scenario and specifically evaluated the impact of risk occurrence for each stakeholder. Identify and evaluate the financial impact of risks and opportunities through scenarios.

Risk response and monitoring: The company determines risk priorities and establishes response strategies based on risk assessment results. To systematically manage climate change-related risks and opportunities, we are setting and managing realistic goals and KPIs. We report the results to the ESG Committee, check the results of climate-related activities, and adjust future plans.

2. Integration with Company-wide Risk Management Process

The climate change-related risk and opportunity management process is integrated with the company-wide risk management process. Each department continuously monitors internal and external environmental changes to identify department- and business-specific risks and opportunities, including climate-related risks and opportunities, and each headquarters (division) evaluates their likelihood and impact and determines the level of response. Areas requiring strategic decision-making are reported to the Board of Directors and ESG Committee and managed at the company level.

Metrics and targets

Climate-related metrics

1. Greenhouse Gas

The company's total greenhouse gas emissions (Scope 1, 2) based on domestic business sites in 2023 are 207,165 tCO₂-eq, a decrease of approximately 4.5% compared to 2022. It was confirmed that greenhouse gas emissions information was appropriately calculated through verification by a third party.

Reduction of Greenhouse Gas Emissions at LOTTE WELLFOOD

(Unit: tCO₂-eq)

Greenhouse Gas Emissions (Scope 1, 2)			Major Activities
Goal for 2023	Emissions in 2023	Reduction Compared to the Goal	
216,600	207,165	9,435	<ul style="list-style-type: none"> Transition to zero-emission vehicles Transition to renewable energy

Greenhouse Gas Emissions at LOTTE WELLFOOD

Classification	Unit	2021	2022	2023
Product production volume	Ton	201,279	571,197	567,430
Scope 1 Direct emissions	Amount tCO ₂ -eq	33,488	63,864	60,030
Scope 2 ¹⁾ Indirect emissions	Amount tCO ₂ -eq	90,802	152,088	147,218
Reporting organization's total emissions ³⁾ (Scope 1+2)	Amount tCO ₂ -eq	124,290	216,952	207,165
Reporting organization's total emissions ³⁾ (Scope 1+2)	Intensity tCO ₂ -eq/product ton ²⁾	0.62	0.38	0.37
Scope 3 Other indirect emissions	Amount tCO ₂ -eq	-	-	1,492,268.6
Reporting organization's total emissions ³⁾ (Scope 1+2+3) Amount	tCO ₂ -eq	124,290	216,952	1,699,433.6

1) Location-based greenhouse gas emissions 2) Product production volume

3) Note: There is a difference between greenhouse gas emissions and total emissions by business site. (Data for each business location is summed after decimal points are rounded off)

Measurement approach: Scope 1 & 2 greenhouse gas emissions were measured according to the "Greenhouse Gas Protocol Corporate Accounting and Reporting Standard¹⁾". Scope 3 greenhouse gas emissions were calculated according to the standards presented in the "Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting Reporting and Standards²⁾", which includes 8 categories of upstream activities and 5 categories of downstream activities. Includes dog category.

1) Greenhouse Gas Protocol : A Corporate Accounting and Reporting Standard, 2004)

2) Greenhouse Gas Protocol Corporate Value Chain(Scope 3) Accounting and Reporting Standard, 2011)

TOPIC-SPECIFIC DISCLOSURE

Greenhouse Gas Emissions in 2023 at LOTTE WELLFOOD

(Unit: tCO₂-eq)

Classification	Category	Carbon Emissions
Scope 1 Direct emissions	Total direct emissions	60,030
Scope 2 indirect emissions	Total indirect emissions	147,218
Scope 3 Other indirect emissions	Upstream	
	1. Purchased products 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 at the workplace	5,402.3
	6. Employee business trip	740.3
	7. Employee commuting	725.3
	8. Upstream leased assets	437.0
	Total	1,227,016.5
	Downstream	
	9. Transportation and distribution	31.0
	10. Processing of sold products	125,505.0
	11. Use of sold products ¹⁾	-
	12. Disposal of sold products	3,261.7
13. Downstream leased assets	12,627.9	
14. Franchise	123,826.5	
15. Investment ²⁾	-	
Total	265,252.1	

1) Since the product sold is food, carbon emissions are assumed to be 0.

2) For funds, emissions are calculated when investing more than 50%

Scope 3 greenhouse gas emissions are calculated by collecting information through interviews with target departments (sales, purchasing, production), creating a highly reliable organizational boundary map, and dividing each unit flow into upstream and downstream. Therefore, the organizational boundaries within the scope of Scope 3 were clarified.

2. Climate-related Risks

Transition Risks

Classification	Transition Risks	Related Business and Investment	Unit	2021	2022	2023
Policy and Legal	Carbon regulation Transition Risk-2 Increase in carbon emission price and carbon credit purchase costs due to expansion of regulations such as EU's ETS and CBAM, accelerated transition to low-carbon energy	• Carbon credit purchase cost	KRW 100 million	-	1.4	-
	Plastic use regulation Transition Risk-3 Increase in R&D costs related to alternative materials due to expansion of regulations related to the use of plastic packaging materials	• R&D costs related to eco-friendly materials replacing existing packaging materials	KRW 100 million	0.94	1.04	0.95
	Energy efficiency Transition Risk-4 Increase in manufacturing facility investment costs due to strengthened energy saving policies and energy saving response	• Percentage of eco-friendly facilities among all facilities	%	0.6	0.57	0.58
	Water resources management Transition Risk-6 Increase in costs for investments in, maintenance, and management of new facilities in response to tightening water use laws and regulations	• Facility investment costs for energy savings	KRW 100 million	37.6	45.7	60.0
		• Equipment investment costs for wastewater treatment	KRW 100 million	4.87	1.6	1.6

Physical Risks

Classification	Transition Risks	Related Business and Investment	Unit	2021	2022	2023
Acute	Typhoon and drought Physical Risk-7 & 8 Unstable supply of raw materials and increased supply chain costs (logistics costs)	• Total logistics cost	KRW 100 million	1,674	1,784	1,804
		• Percentage of storage fees in logistics costs	%	7.3	8.1	11.6

TOPIC-SPECIFIC DISCLOSURE

3. Climate-related Opportunities

Classification	Opportunity Factor	Related Business and Investment	Unit	2021	2022	2023
Resource efficiency	Water resources management Opportunity-11 Reduction of product production costs by building infrastructure for efficient water use	· Recycling ratio compared to total wastewater	%	0	1.5	2.0
Market	Customer behavior change Opportunity-12 Reduction of product production costs by building infrastructure for efficient water use	· Health & Wellness product sales	KRW 100 million	1,727	2,365	3,127

* Net sales amount excluding exports

4. Internal Carbon Price

As of 2023, our company has not yet implemented an internal carbon pricing. However, we are considering establishing an internal price per ton of carbon emissions based on the carbon price outlook for Korea as published by the International Energy Agency (IEA). This internal carbon pricing will be used for decision-making regarding capital investments and for scenario analysis to achieve carbon neutrality in the future.

5. Compensation

LOTTE WELLFOOD recognizes that responsibility for responding to climate change lies with the highest decision makers. 20% of the CEO's performance evaluation indicators are ESG-related, and 20% of these are climate change-related indicators, such as carbon neutral investment amount.

Climate-related targets

1. Climate Change Response Goal

With achieving carbon neutrality and RE100 at our domestic business sites by 2040 as our top priority in responding to climate change, we have established short-term, mid-term, and long-term strategies and are monitoring implementation performance.

Key Indicators for Achieving the 2040 Net-Zero Goal

Transition to zero-emission vehicles ¹⁾	Hydrogen energy ²⁾	Transition of raw materials and energy
Improvement of energy efficiency	Carbon capture	Renewable energy ³⁾

1) Transition 1,659 commercial vehicles to zero-emission vehicles by 2025

2) Carbon emissions that cannot be replaced by purchasing renewable energy after 2031 will be replaced by the introduction of hydrogen fuel.

3) Direct PPA contract (2023-) and long-term REC purchase contract (2027-)

2. Goal Achievement and Monitoring Process

We have established a carbon neutrality roadmap based on the current annual carbon emissions increase trend (BAU, Business As Usual) and are managing the achievement rate each year. The estimated cumulative carbon cost from 2024 to 2040 based on BAU is approximately KRW 230.7 billion, and the cumulative carbon cost upon implementation of the roadmap is expected to decrease to approximately KRW 95.1 billion. The basis for calculating the amount of carbon cost reduction and BAU of electricity and energy emissions includes the carbon emission performance of each domestic business site from 2018 to 2021, internal carbon price, and expected unit price of electricity. Based on our self-established Net-Zero roadmap, the ESG Committee is evaluating target reduction and emission achievement rates.

TOPIC-SPECIFIC DISCLOSURE

3. Net-Zero Roadmap

Our company aims to achieve carbon neutrality and RE100 by 2040 based on total Scope 1 and 2 greenhouse gas emissions from domestic production plants, headquarters, and sales offices.

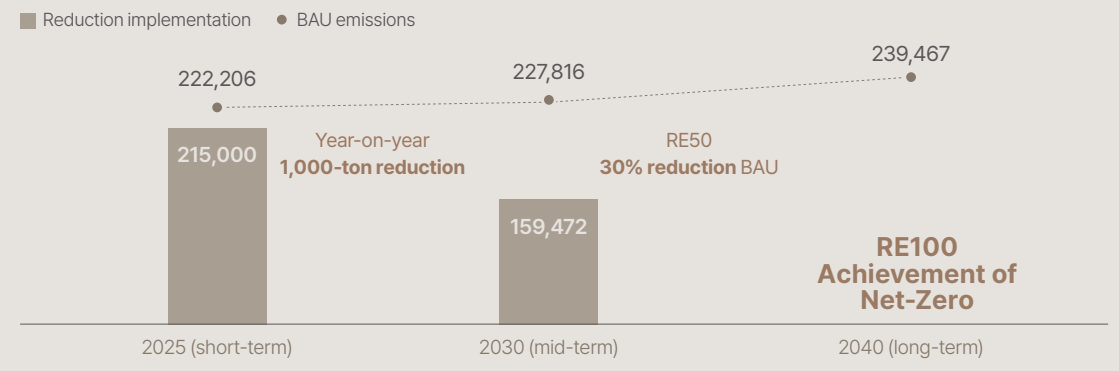
Renewable Energy Transition Goal

(Unit: GWg/year)

Classification	2018	2024	2025	2030	2040
① Electricity (BAU)	329,241	346,964	350,333	368,130	409,021
② Renewable energy		41,126	61,689	179,926	409,021
PPA	-	41,126	61,689	88,520	83,933
REC	-	-	-	91,406	325,088
Facility construction	-	-	-	-	-
Transition rate (%) (②/①)	-	12	18	49	100

Greenhouse Gas Emissions Targets (Scope 1 & 2)

(Unit: CO₂-eq)



APPENDIX

IFRS S2 INDEX Definition of Terms (Appendix A. Definition of Terms)

Terms	Definition
Carbon credits	As a unit of emissions issued by the carbon credit program that represent the reduction or elimination of greenhouse gas emissions, carbon credit is assigned a unique serial number and are issued, tracked, and canceled through an electronic registry.
Climate resilience	Climate resilience refers to a company's ability to respond to and adapt to climate-related transition and physical risks, as well as to manage them and create opportunities. Climate resilience includes both strategic and operational resilience of a company to climate-related changes, developments, and uncertainties.
Climate-related physical risks	Risks resulting from temporary events (acute physical risks) or long-term changes in climate patterns (chronic physical risks) arise from extreme weather events, such as typhoons, floods, droughts, or heat waves, and are increasing in severity and frequency. Chronic physical hazards arise from long-term changes in climate patterns, including changes in precipitation and temperature, which can lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity. These risks can have financial impacts on businesses, such as the cost of direct damage to assets or the indirect effects of supply chain disruptions.
Climate-related risks and opportunities	Climate-related risks refer to the potential negative impacts of climate change on companies. These risks are categorized into climate-related physical and transition risks. Climate-related opportunities refer to the potential positive impacts on companies due to climate change. Efforts to mitigate and adapt to climate change can provide climate-related opportunities for companies.
Climate-related transition plan	Climate-related transition plan refers to one aspect of a company's overall strategy, including its goals, actions, or resources for transitioning to a low-carbon economy (including measures such as reducing the company's greenhouse gas emissions).
Climate-related transition risks	Climate-related transition risks arise as companies strive to transition to a low-carbon economy and include risks related to policy, law, technology, market, and reputation. These risks can have financial impacts on companies, such as increased operating costs or asset losses due to new or revised climate-related regulations. Additionally, a company's financial performance may be affected by changing consumer demand and the development and diffusion of new technologies.
CO ₂ equivalent	CO ₂ equivalent is a universal measurement unit that represents the global warming potential caused by greenhouse gas emissions. It is used to assess emissions (or emission avoidance) of different greenhouse gases on a common basis.

Terms	Definition
Financial emissions	Financial emissions represent the extent to which the total greenhouse gas emissions of an investee or counterparty are attributable to our lending and investment to them. Financial emissions are part of Scope 3 Category 15 (Investments) as defined in the "Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)".
Global warming potential	Global warming potential is an index that shows the radiative forcing effect (degree of damage to the atmosphere) of one unit of given greenhouse gas compared to one unit of CO ₂ .
Greenhouse gas	Seven greenhouse gases listed in the Kyoto Protocol: carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF ₃), perfluorocarbons (PFCs), and sulfur hexafluoride. (SF ₆)
Indirect greenhouse gas emissions	Emissions that occur as a result of a company's activities, but originate from sources owned or controlled by another company
Internal carbon price	Internal carbon prices are used to assess the financial impact of changes in a company's investment, production and consumption patterns, as well as potential technological advances and future emissions reduction costs. Companies can use internal carbon prices in a variety of business aspects. There are two types of internal carbon prices that companies commonly use: <ol style="list-style-type: none"> Shadow price is a theoretical cost or conceptual value that is not imposed by companies but can be used to understand economic implications or trade-offs such as risk impacts, new investments, net present value of projects, and costs and benefits of various initiatives. An internal tax or fee is a carbon price imposed on a business activity, product line, or other business unit based on the company's greenhouse gas emissions (such an internal carbon tax is similar to an intra-corporate transfer price).
Latest international agreements on climate change	This agreement is being promoted among member countries of the UN Framework Convention on Climate Change for the purpose of combating climate change, and sets norms and goals for reducing greenhouse gases.
Scope 1 greenhouse gas emissions	Direct greenhouse gas emissions from sources owned or controlled by the company
Scope 2 greenhouse gas emissions	Indirect greenhouse gas emissions from the electricity, steam, heating or cooling that a business purchases or acquires and uses. Scope 2 Greenhouse gas emissions are physically generated from facilities that produce electricity.

APPENDIX

Terms	Definition
Scope 3 greenhouse gas emissions	Indirect greenhouse gas emissions (including both upstream and downstream emissions) that occur within a company's value chain but are not included in Scope 2 greenhouse gas emissions. Scope 3 greenhouse gas emissions include the Scope 3 category of the "Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)".
Scope 3 category	<p>Scope 3 greenhouse gas emissions are classified into the following 15 categories described in the "Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)":</p> <ol style="list-style-type: none"> 1. Purchased products and services 2. Capital goods 3. Fuel and energy-related activities not included in Scope 1 or Scope 2 greenhouse gas emissions 4. Upstream transportation and distribution 5. Waste generated from business 6. Business trip 7. Employee commuting 8. Upstream leased assets 9. Downstream transportation and distribution 10. Processing of sold products 11. Use of sold products 12. Disposal at end of life of sold product 13. Downstream leased assets 14. Franchise 15. Investment

Terms	Definition
Terms defined in other standards and used with the same meaning in this standard	
Business model	A business system that transforms inputs into outputs and performance through business activities, with the goal of generating cash flows over the short, medium, and long term by achieving the company's strategic objectives and creating value.
Disclosure topic	Specific sustainability-related risks or opportunities based on activities undertaken by companies within specific industries, as defined by the IFRS Sustainability Disclosure Standards or the SASB Standards.
General purpose financial report	<p>A report that provides financial information about the reporting company that is useful to key users when making decisions related to providing resources to the company. Such decisions include:</p> <ol style="list-style-type: none"> 1. Purchase, sale or holding of equity and debt products 2. Providing or selling rentals and other forms of credit 3. Exercise of voting rights or influence over management actions that affect the use of the company's economic resources. General purpose financial reports include, but are not limited to, a company's general purpose financial statements and sustainability-related financial disclosures.
Not practically applicable	If a company cannot apply a requirement even after making all reasonable efforts, the requirement is not practicable.
Major users of general purpose financial reports	Current and potential investors, lenders and other creditors
Value chain	The value chain encompasses the interactions, resources, and relationships a company uses and relies on to produce its products or services, from planning to delivery, consumption, and end-of-life. This encompasses human resources, materials and services, sales and delivery, financing, and various regulatory environments related to corporate operations.

2023 LOTTE WELLFOOD Sustainability Report

FOODMATE FOR SUSTAINABLE WELLNESS

