

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Lotte Chilsung Beverage, a total beverage company (beverage and liquor) has secured competitive products in multiple categories by unfolding a more efficient and integrated strategy through reinforced line-up of beverages such as soju, wine and beer in the beverage business equipped with a powerful line-up. Through such, our company has achieved the best performance in its history since it was founded, with a revenue of KRW 2.8417 trillion and an operating profit of KRW 222.9 billion as of the 2022 consolidated financial statement.

As for the beverage sector, a revenue of KRW 1.8678 trillion and an operating profit of KRW 165.9 trillion were recorded as of the 2022 separate financial statement. The product item that accounted for the biggest proportion was carbonated beverages, with the key products being Chilsung Cider and Pepsi-Cola. In addition to the existing strengths such as the refreshing sensation, the demand for zero-calorie carbonated beverages increased significantly, following the increase in the consumer's interest in health and diet, leading to a high growth rate of sales in 2022 as well, following 2021. On the other hand, 6 beverage plants (Anseong 1, Anseong 2, Opo, Daejeon, Yangsan, Gwangju) are being operated domestically and key raw materials include saccharides, can and PET.

As for the liquor sector, a revenue of KRW 774.5 trillion and an operating profit of KRW 36.9 trillion were recorded as of the 2022 separate financial statement. Key product items are soju, beer and Cheongju. We strengthened the product competitiveness by renewing the existing soju product, 'Chum-Churum' and in September 2022, we launched the zero-sugar soju product, 'Chum-Churum Saero'. We positioned our company's beer products, Kloud according to the characteristics of each product by classifying into Original and Fresh Draft to target the market strategically. Moreover, in line with the changes following the amendment of the Liquor Tax Act, we have consigned the production of handmade beer and by operating a handmade beer cluster, we are coexisting and collaborating with small-scale handmade beer producers. Our Cheongju product, 'Chungha' ranks 1st place in the domestic Cheongju market and in April 2022, the 'Starlight Chungha Sparkling' which was launched to target the MZ Generation who tend to prefer low alcohol is gaining big popularity in the market, as well. Meanwhile, we are operating 5 liquor plants (Gangneung, Gunsan, Gyeongsan, Chungju 1, Chungju 2) domestically and key raw materials include distilling material and empty liquor bottles.

Furthermore, Lotte Chilsung Beverage is expanding the advancement into the overseas market by going beyond the domestic market. In countries that we have already entered, we are reinforcing our competitiveness by expanding new channels and engaging in marketing activities and through products customized to the characteristics of each region and the needs of the customers, we are continuously expanding the scale of overseas sales. Currently, the biggest export country of our beverage products is Russia and our main products of export are Milkis and Let's Be. These products rank 1st place in the respective category concerned in the local market. The key product item of our liquor export is soju and the main export country is Japan.

Lotte Chilsung Beverage is achieving not only external growth but also continuous profit improvement through companywide collaboration and is ceaselessly developing the brand values of the company and its products through management of key brands, meticulous market analysis and reinforced competitiveness. Furthermore, we are achieving sustainable growth through environmental and social responsibility activities and as part of such initiative, we have launched the first label-free mineral water, 'ICIS 8.0 Eco'. In addition, in line with the government's low carbon green growth policy, we were the first in the domestic F&B industry to become a member of the 'Global RE100' in December 2021.

W-FB0.1a/W-AC0.1a

(W-FB0.1a/W-AC0.1a) Which activities in the food, beverage, and tobacco and/or agricultural commodities sectors does your organization engage in?

Processing/Manufacturing
Distribution

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1 2022	December 31 2022

W0.3

(W0.3) Select the countries/areas in which you operate.

Republic of Korea

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

KRW

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

No

W0.7

(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization.	Provide your unique identifier
Yes, an ISIN code	KR7005300009

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Vital	Important	<p>[Direct use]</p> <p>The direct use of water is the most basic and important raw material to Lotte Chilsung Beverage, which operates beverages and liquor business. It is impossible to manufacture products if sufficient amount and quality fresh water is not consistently supplied, and the importance is very high. Since fresh water needs to be maintained in high quality to be used in beverage manufacturing, it is difficult to replay with low quality fresh water. In addition, since fresh water is needed for cleaning, heating and cooling processes before and after manufacturing of product production facilities, the usage and dependency of fresh water is very high. In addition, because products we produce are food that have direct influence on the human body and are very sensitive to even the smallest amount of contaminants or harmful chemicals, water used in our company's operation is managed and processed with the strictest standards.</p> <p>[Indirect use]</p> <p>For our company, which runs the beverage and liquor business, water is an indispensable resource that affects the supply and demand of biological raw materials such as coffee, sugar, and hops. For a sustainable supply of raw ingredients, use of high quality fresh water is essential, and water shortages due to climate change in the production area of raw ingredients, and localized drought and flood Water shortages due to climate change in raw material production areas, localized droughts and floods hinder the growth of biological resources, and water shortages due to social factors such as population growth can add danger to the stable supply of raw materials. Therefore, to improve the dependency on indirect use of fresh water, our company diversified the portfolio of raw materials such as sugar, coffee, and hop, to make sustainable supply of products possible, and are striving to improve water management system and water efficiency by cooperating with agricultural supply chain communities in production areas.</p>
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Neutral	<p>[Direct use]</p> <p>The direct use of water is the most basic and important raw material to Lotte Chilsung Beverage, which operates beverages and liquor business. Recycled water is circulated with our recycled water and used in the production process through the treatment of freshwater used and inputted in the production period. With our use of recycled water, we can improve the use and sustainable utilization of freshwater resources by conserving our freshwater use and reducing our dependency on new water sources. In the production facilities, recycled water is used for various purposes such as pipe and tank cleaning, steam generation for heating, and cooling, and the increase of recycling rate plays a very important role in reducing our water withdrawal and discharge. Since products we produce are food that have direct influence on the human body and are very sensitive to even the smallest amount of contaminants or harmful chemicals, recycled water used in our company's operation is strictly distinguished from fresh water and reused through strict standards and management.</p> <p>[Indirect use]</p> <p>For our company, which runs the beverage and liquor business, water is the most basic and important raw material that affects the supply and demand of biological raw materials such as coffee, sugar, and hops. Since the supply of high quality fresh water is essential in the production process even for companies that supply biological resources, the use of fresh water and recycled water must be strictly distinguished during the manufacturing process. Lotte Chilsung Beverage control the quality and use of recycled water in our supply chain to ensure the availability of recycled water and the integrity and quality of our products through cooperation with suppliers in the supply chain.</p>

W-FB1.1a/W-AC1.1a

(W-FB1.1a/W-AC1.1a) Which water-intensive agricultural commodities that your organization produces and/or sources are the most significant to your business by revenue? Select up to five.

Agricultural commodities	% of revenue dependent on these agricultural commodities	Produced and/or sourced	Please explain
Sugar	10-20	Sourced	<p>For the production of Lotte Chilsung Beverage's beverage, sugar is one of the water-intensive agricultural products that has the biggest influence on the business.</p> <p>The percentage of sugar purchase accounts for 19% of all raw materials in the beverage sector, and 14.3% of the percentage of total purchases of beverages and liquor.</p>
Grain	Less than 10%	Sourced	<p>In case of the liquor business, alcohol is one of the water-intensive agricultural products that has the biggest influence on the business. For the production of liquor (soju, beer), Lotte Chilsung Beverage purchases alcohol made with rice, barley, tapioca, etc.</p> <p>The percentage of alcohol, which is the main raw ingredient for liquor production, accounts for 31.9% of all raw materials in the liquor sector and 7.9% of the total purchase of beverages and liquor.</p>

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Frequency of measurement	Method of measurement	Please explain
Water withdrawals – total volumes	100%	Monthly	<p>We measures and monitors total volume of water withdrawals manually/electronically through the water flow meter for each water source in the business site.</p> <p>The amount of water withdrawal at each business site is counted on a daily basis through a flow meter and a daily report is prepared and managed for each business site, and a monthly report is prepared and reported every month.</p> <p>The head office of the company collects the total water withdrawal by business site on a monthly basis.</p>	<p>We measures and monitors 100% of the total water withdrawal for each business site, which is all factories that produce beverages and alcoholic beverages, on a monthly basis.</p> <p>Of the total water withdrawal in 2022, tap water withdrawal accounted for 77% and groundwater withdrawal accounted for 23%.</p> <p>We review the collection results of water withdrawal data at our head office to ensure accuracy and manage water withdrawal and consumption on a per-unit basis for efficient water use.</p> <p>Through these procedures, we establish sustainable water management goals, tracking and reporting performance, etc. By increasing water efficiency and reducing usage, it is used as the basis for establishing water management policies and strategies, and the collected data is disclosed through the sustainability report.</p> <p>The water management data is verified by a third party based on limited standards, including the amount of water withdrawal and the percentage of water used for manufacturing.</p>
Water withdrawals – volumes by source	100%	Daily	<p>We measures and monitors the volume of water withdrawals by withdrawal source manually/electronically through the water flow meter for each water source in the business site.</p> <p>The amount of water withdrawal at each business site is counted on a daily basis through a flow meter and a monthly report is prepared and reported every month.</p> <p>The head office of the company collects the total water withdrawal by business site on a monthly basis.</p>	<p>We measures and monitors 100% of the total water withdrawal for each business site, which is all factories that produce beverages and alcoholic beverages, on a monthly basis.</p> <p>Water withdrawal data for each water source at our business sites is collected manually/electronically and recorded on a daily basis. We continuously track and trend water usage, and it is used as data to evaluate the impact of changes in business portfolio and production.</p> <p>Our head office reviews the collection results of water withdrawal data to ensure accuracy and manage water withdrawal and consumption on a per-unit basis for efficient water use.</p> <p>Through these process, we establish sustainable water management goals, tracking and reporting performance, etc. By increasing water efficiency and reducing usage, it is used as the basis for establishing water management policies and strategies, and the collected data is disclosed through the sustainability report.</p>
Entrained water associated with your metals & mining and/or coal sector activities - total volumes [only metals and mining and coal sectors]	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Water withdrawals quality	100%	Daily	<p>We measures and monitors quality of water taken by each water source every day.</p> <p>Inspection items are inspected according to standards for microorganisms, inorganic substances, organic substances, disinfectants and disinfectant by-products, and aesthetic substances.</p> <p>In addition, to check the quality of the water withdrawal, the person in charge directly tests and measures the pH, turbidity, color, odor, alkalinity, and hardness every day.</p>	<p>We measures and monitors water quality every day for 100% of the water withdrawal.</p> <p>This is critical to ensure that beverages are safe for consumption by manufacturing consumer products that comply with stringent food safety standards.</p> <p>We conduct water quality sampling and analysis through self-audits and third-party inspections, and quarterly water quality measurement, tracking, and monitoring through our own specialized laboratories.</p>

	% of sites/facilities/operations	Frequency of measurement	Method of measurement	Please explain
Water discharges – total volumes	100%	Monthly	We measure discharge volume by each business site every day. The discharge volume is manually/electronically counted through the flow meter, and the discharge volume collected on a daily basis is written in a log and managed. The total discharge volume is aggregated monthly by business site, and the head office collects the total discharge volume.	We measure and monitor 100% of water withdrawal and consumption as well as discharge every day and the head office collects the total discharge volume. Businesses that discharge wastewater to third-party discharge sites pay contributions. Aggregating and monitoring discharges is critical to managing our business operating costs, as contributions vary based on discharge volume and pollutant concentration. Through these procedures, we establish sustainable water management goals, tracking and reporting performance, etc. By increasing water efficiency and reducing usage, it is used as the basis for establishing water management policies and strategies, and the collected data is disclosed through the sustainability report. The water management data is verified by a third party based on limited standards, including the discharge and the percentage of water used for manufacturing.
Water discharges – volumes by destination	100%	Daily	We measure discharge volume by each business site every day. The discharge volume is manually/electronically counted through the flow meter, and the discharge volume collected on a daily basis is written in a log and managed. The head office collects the total discharge volume. Through the flow meter at the discharge point, the environmental manager measures, monitors, and reports the total discharge volume by discharge point according to internal and external treatment facilities.	We measure and monitor 100% of water withdrawal and consumption as well as discharge volume by discharge destination every day. The discharge volume by discharge point is collected and aggregated daily at the business site manually/electronically through a flow meter installed at the business site. We continuously monitor water discharge, which can be used as data to track and trend, and to evaluate the impact of changes in business portfolio and production.
Water discharges – volumes by treatment method	100%	Daily	The wastewater treatment method of all Lotte Chilsung Beverage's business sites utilizes the activated sludge method. Therefore, all business sites are treating wastewater through biological treatment, and some business sites are using the activated sludge method and anaerobic digestion together. The discharge volume at the business site is counted manually/electronically through a flow meter, and the discharge volume counted on a daily basis is recorded and managed in a log.	We measure and monitor 100% of water withdrawal and consumption as well as discharge every day. Since there is only one discharge outlet for each business site, the company collects and aggregates discharge data by manually/electronically every day at the business site for each treatment method used for wastewater treatment at the business site. We continuously monitor water discharge, which can be used as data to track and trend, and to evaluate the impact of changes in business portfolio and production.
Water discharge quality – by standard effluent parameters	100%	Daily	We measure and record the quality of discharged water every business site. Environmental managers measure standard discharge indicators and pollutant concentrations every day. All business sites conduct self-inspection of discharged water quality. Also, in order to secure the reliability of discharged water quality, the quality of influent and discharged water is regularly checked by consigning a self-measurement company twice a month.	Discharged water quality parameters are 100% collected and managed every day. Lotte Chilsung Beverage measures and monitors 100% of water withdrawal and consumption as well as discharge. We collect discharge data by business site on a daily basis and compile them manually/electronically. We continuously track and trend water usage and use this data to evaluate the impact of changes in business portfolio and production. The company manages the concentration of discharged water quality by collecting the amount of discharge by business site every month at the head office, and the concentration of each pollutant indicator has disclosed the water management performance data through the 2023 Sustainability Report in accordance with the 2022 GRI Standards level. Water management data is verified by third parties on a limited basis, including standard discharge metrics and manufacturing water use rates.
Water discharge quality – emissions to water (nitrates, phosphates, pesticides, and/or other priority substances)	100%	Daily	We measure the quality of discharged water every day at each business site. Businesses that discharge wastewater to terminal wastewater treatment plants must meet the regulated pollutant concentration standards, and for this purpose, environmental managers measure standard discharge indicators and pollutant concentrations every day.	Discharged water quality parameters are 100% collected and managed every day. Lotte Chilsung Beverage measures and monitors 100% of water withdrawal and consumption as well as discharge. We collect discharge data by business site on a daily basis and compile them manually/electronically. We continuously track and trend water usage and use this data to evaluate the impact of changes in business portfolio and production. The company manages the concentration of discharged water quality by collecting the amount of discharge by business site every month at the head office, and the concentration of each pollutant indicator has disclosed the water management performance data through the 2023 Sustainability Report in accordance with the 2022 GRI Standards level. Water management data is verified by third parties on a limited basis, including standard discharge metrics and manufacturing water use rates.
Water discharge quality – temperature	100%	Monthly	We use the activated sludge method as a wastewater treatment method, so the water temperature does not change significantly. Therefore, we check the temperature twice a month when conducting self-measurement through a consignment company. Some workplaces with a water quality monitoring system (TMS) measure the temperature of the effluent continuously.	We measure and monitor the temperature of effluent water 100%. Water temperature is measured twice a month for each business site through the self-measurement of the consignment company, and the measurement record is kept for 3 years from the date of measurement in accordance with legal standards.
Water consumption – total volume	100%	Monthly	We measure and record the amount of consumption used as the number of products in the facility on a daily basis through a flow meter and monitoring system for each production facility. The total amount of water consumed by each production facility is checked daily by the manager and recorded in a log. Total consumption is reported monthly by the manager of the business site, and the head office also collects data every month to manage performance.	We measure and monitor 100% of consumption along with water withdrawal and discharge. The manager of the business site manually/electronically measures the consumption counted in the flow meter for each production facility daily and records it in a log. The amount of consumption used by each business site is aggregated by collecting data at the head office every month. We continuously track and trend water usage and use this data to evaluate the impact of changes in business portfolio and production. Through these procedures, we are establishing sustainable water management goals, tracking and reporting performance, etc. By increasing water efficiency and reducing usage, it is used as the basis for establishing water management policies and strategies, and the collected data is disclosed through sustainability report.

	% of sites/facilities/operations	Frequency of measurement	Method of measurement	Please explain
Water recycled/reused	100%	Monthly	We select items related to water recycled/reused for each business site as an annual business plan. Workplaces with recycled/reused items manage to reduce water use by counting the amount recycled/reused on a monthly basis, and the results are collected from the head office every month. Businesses with recycled/reused items manage to reduce water use by counting the amount of recycled/reused items on a monthly basis, and the results are collected from the head office every month.	We measure and monitor 100% of recycled/reused amount. The details of reduction in 2022 include improvement of groundwater withdrawal, reduction of washing water, reuse of rinsing water, etc. Water resource recycling/reuse performance is collected monthly from the head office. We continuously track and trend water recycled/reused and use data to evaluate business portfolios and water use savings. Through these procedures, we are establishing sustainable water management goals, tracking and reporting performance, etc. By increasing water efficiency and reducing usage, it is used as the basis for establishing water management policies and strategies, and the collected data is disclosed through the sustainability report. Water management data is verified by third parties on a limited basis, including percentages of recycled/reused water and manufacturing water use.
The provision of fully-functioning, safely managed WASH services to all workers	100%	Daily	We are monitoring and providing services related to water and sanitation for all workers. Before entering the production site, a washbasin is provided to wash hands thoroughly with water and detergent before entering the site. If you do not wash your hands, you cannot enter the site. In addition, it is programmed so that workers can produce products cleanly by passing through an air shower before entering the site.	We, as a food and beverage manufacturer where food hygiene is important, provide WAHS services in all areas. In addition to restrooms, hand washing facilities have been installed in all areas where employees are active, such as the entrance to the production site and the entrance to the restaurant. Providing WAHS services to all employees is an essential duty for food companies and is critical to ensuring that our products are safely supplied and consumed by consumers. Our quality control department inspects the site every week to check the sanitary conditions of employees and the sanitary condition of the site, and reports and disseminates the details to the department in charge so that immediate improvement measures can be taken. In addition, if investment is required, as a food company, hygiene is the number one priority, so we do not spare any investment.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, how do they compare to the previous reporting year, and how are they forecasted to change?

	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Five-year forecast	Primary reason for forecast	Please explain
Total withdrawals	4838.89	Lower	Facility closure	Lower	Increase/decrease in efficiency	[Change compared to previous year] The main cause of our withdrawal volume decreasing compared to the previous year is because of the suspension of business sites. In 2021, the Cheongju plant and Jincheon plant were suspended, and the production plant has been reduced to 12 businesses in 2022 in total. However, in addition to this, although production increased year to date, water withdrawal decreased, and this is because internal reduction efforts were made to efficiently use water, such as increasing recycled/reused water within the business site. Compared to the previous year, production performance increased by 5.3%, but water withdrawal decreased by 6.7% due to a 17.9% increase in water recycling. [Expectations in the next 5 years] The water collected from the company is used as the number of products sold and distributed to consumers after producing beverages and liquor. Therefore, water withdrawal may increase as business expands and sales increase. However, Lotte Chilsung Beverage continues to seek ways to improve recycling and reuse of water used in the production process. Therefore, over the next five years, the water use forecast is expected to be further reduced.
Total discharges	3076.44	Lower	Facility closure	Lower	Increase/decrease in efficiency	[Change compared to previous year] The main cause of our discharge volume decreasing compared to the previous year is because of the suspension of business sites. In 2021, the Cheongju plant and Jincheon plant were suspended, and the production plant has been reduced to 12 businesses in 2022 in total. However, in addition to this, although production increased year to date, water discharge decreased, and this is because internal reduction efforts were made to efficiently use water, such as increasing recycled/reused water within the business site. Compared to the previous year, production performance increased by 5.3%, but water discharge decreased by 10.2% due to a 17.9% increase in water recycling. [Expectations in the next 5 years] We are constantly looking for ways to reduce water discharge by improving water recycling/reuse. Every year, facility managers at business sites discover and apply items that can recycled/reused water, which contributes to increasing the company's water recycled/reused rate. Over the next five years, water discharge is expected to continue to decrease as water recycled/reused rates increase.
Total consumption	1762.44	About the same	Increase/decrease in business activity	About the same	Increase/decrease in business activity	[Change compared to previous year] Our consumption in the current year increased compared to the previous year. As a water consuming company that produces beverages and liquor, our water consumption increases as sales increase. The consumption of water classified by business activities in our company is the number of products and evaporation loss. When a company's sales increase and production volume increases, the consumption of water used for product water increases, and as production activities increase, the amount of evaporation of water also increases in the fermentation process, which is the liquor manufacturing process. In 2022, product production increased by 5.3% as sales increased by 12.7% compared to the previous year. However, due to efficient water use, consumption increased by 0.24% compared to the previous year, recording a similar figure to the previous year. [Expectations in the next 5 years] The water we use is used as the water produced for beverages and alcoholic beverages and delivered to consumers. Therefore, water consumption will increase as the business expands and sales increase. However, Lotte Chilsung Beverage is seeking ways to continuously improve the recycled/reused rate of water used in the production process, excluding product water. Therefore, over the next five years, the forecast for water use is expected to remain the same or to reduce it further.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress, provide the proportion, how it compares with the previous reporting year, and how it is forecasted to change.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Five-year forecast	Primary reason for forecast	Identification tool	Please explain
Row 1	Yes	26-50	Lower	Increase/decrease in efficiency	Lower	Increase/decrease in efficiency	WRI Aqueduct	<p>[Change compared to previous year]</p> <p>Among all of our business sites, four are located in areas with high water stress: Anseong Plant, Anseong 2nd Plant, Gunsan Plant, and Gwangju Plant. The ratio of water withdrawal in water stress areas to the total water withdrawal is 44.6%. The amount of water withdrawal was calculated through the water withdrawal by business site and the annual water withdrawal collected by the flow meter at each business site.</p> <p>Water withdrawal rates in water stress areas decreased by 4.6% at that year in 2022. The reason for the decrease in water withdrawal is that the total production increased due to the increase in corporate sales, but the amount of water used in the production process was reduced through efforts to efficiently use and reduce water resources through recycling/reuse of water.</p> <p>Excluding the water used for product water in our company, the water used in the production process is mainly used for on-site cleaning, facility and pipe cleaning, etc. We are making efforts to prevent misuse of water in the process and continue to make efforts to recycle/reuse used water.</p> <p>[Expectations in the next 5 years]</p> <p>Among the plants included in our water stress area, the Anseong and Gunsan factories are factories with high production of beverages and liquor. As the production of four factories out of the total business sites accounted for 44.6%, which is close to half, it is thought that the management of water stress areas will be important in the future. Sales will continue to rise due to the increase in our business activities, but we plan to constantly seek ways to recycle/reuse water and continue to increase the efficiency of water use through technology investment and collaboration with related stakeholders. As a result, water withdrawal is expected to continue to decrease in the future.</p> <p>[Tool used]</p> <p>Lotte Chilsung Beverage conducted a water risk assessment for 11 production facilities located nationwide using the WRI AQUEDUCT Tool as a tool to identify water stress in 2022. (The Jeju plant is an island located in Korea and does not include water stress areas, so analysis with the tool was not possible, so it was excluded.) The WRI AQUEDUCT Tool provides information such as water stress and drought based on future changes in quantity and quality, and provides detailed information on water stress in the area where each production facility is located based on location information. By adding the water stress of WRI AQUEDUCT's BAU (baseline) and the evaluation of water stress in 2040, we evaluated the area where our production facilities are located, setting the water stress to high, medium, and low.</p> <p>Based on these evaluation results, we used them as basis for water risk management and water strategy preparation, which derives risks and opportunities in the region and establishes financial impacts and response plans. As a result of the water risk evaluation, among our production facilities, the beverage sector Anseong Plant, Anseong 2nd Plant, Gwangju Plant, and liquor sector Gunsan Plant were evaluated as 'high (40-80%)' for water stress, and as water stress is high, it is predicted to require water source management.</p> <p>By actively utilizing water risk assessment during corporate management agenda decisions, such as mergers and acquisitions, facility expansion and closure, Lotte Chilsung Beverage plans to use it as a basis for internal and external evaluations, such as determining the location of facilities and watershed management to secure water sources.</p>

W-FB1.2e/W-AC1.2e

(W-FB1.2e/W-AC1.2e) For each commodity reported in question W-FB1.1a/W-AC1.1a, do you know the proportion that is produced/sourced from areas with water stress?

Agricultural commodities	The proportion of this commodity produced in areas with water stress is known	The proportion of this commodity sourced from areas with water stress is known	Please explain
Sugar	Not applicable	Yes	Lotte Chilsung Beverage used WRI AQUEDUCT TOOL, a water risk assessment tool, to analyze the water stress of major agricultural products, which are raw materials used in manufacturing our products. By adding the water stress of WRI AQUEDUCT's BAU (baseline) and the evaluation of water stress in 2040, the region where the company's production facilities are located was evaluated by setting the water stress to high, medium, and low. The main source of sugar purchased from Lotte Chilsung Beverage is 100% domestic and procured from Incheon and Ulsan in Korea. As a result of conducting water risk analysis for Incheon and Ulsan, it was found that water stress was high at 40-80% in both areas.
Grain	Not applicable	Yes	Lotte Chilsung Beverage identified areas with high water stress as part of climate change scenario analysis proposed by TCFD. Using the WRI AQUEDUCT tool as a water risk assessment tool, we analyzed water stress for major agricultural products, which are raw materials used in manufacturing our products. By adding the water stress of WRI AQUEDUCT's BAU (baseline) and the evaluation of water stress in 2040, the region where the company's production facilities are located was evaluated by setting the water stress to high, medium, and low. The main origins of liquor-making ingredients purchased from Lotte Chilsung Beverage are Vietnam, China and Korea. As a result of water risk analysis on the raw material producing countries in Vietnam and China, it was found that all of the areas had a low water stress of less than 30%.

W-FB1.2g/W-AC1.2g

(W-FB1.2g/W-AC1.2g) What proportion of the sourced agricultural commodities reported in W-FB1.1a/W-AC1.1a originate from areas with water stress?

Agricultural commodities	% of total agricultural commodity sourced from areas with water stress	Please explain
Sugar	100%	<p>Lotte Chilsung Beverage is a food and beverage company that produces beverages and liquor, and mainly uses sugar as a raw material in the beverage production process. The sugar we purchase is a raw material procured from Incheon and Ulsan, and is produced in areas with high water stress.</p> <p>Sugar procured from these areas with high water stress accounts for 28.9% of all raw materials. Sugar accounted for KRW 136.1 billion of the total raw material purchase amount of KRW 470.7 billion. We plan to identify and continuously monitor the purchase amount of raw materials produced in regions with high water stress in advance, and strive to secure alternative resources to reduce the proportion of raw materials procured from those regions.</p>
Grain	76-99	<p>Lotte Chilsung Beverage is a food and beverage company that produces beverages and liquor, and mainly uses alcohol as a raw material in the liquor production process. It is made from tapioca, rice stored and provided by the government, barely, etc. and is the main agricultural raw material. The procurement regions for grain which is the raw material we purchase for alcohol, are Vietnam, China, and Korea.</p> <p>As a result of water risk analysis for a raw material sourced areas in Vietnam and China, all of these areas are found to have a low water stress of less than 30%.</p> <p>Grain which is the raw material of alcohol, accounts for 16.1% of our total raw materials. Of the total raw material purchase amount of KRW 470.7 billion, the amount of alcohol accounted for was KRW 75.5 billion. We will continue to monitor water risks in regions where grain a major raw material for alcoholic beverages, is procured, and plan to secure alternative resource sources when raw materials are procured from regions with high water stress.</p>

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	We don't take fresh surface water.
Brackish surface water/Seawater	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	We don't take brackish surface water/seawater.
Groundwater – renewable	Relevant	1113.59	Lower	Increase/decrease in efficiency	<p>Our company uses groundwater at some of our business sites in the process of producing beverages and liquor. This has been used in areas with groundwater in the past, depending on the characteristics of the region where the business is located, and since groundwater is not an infinite resource, our use of groundwater continues to decrease. When the groundwater we use reaches a certain level, we no longer use groundwater and replace it with tap water. Decommissioned groundwater will return to normal levels over the next few years. Groundwater consumption decreased by 25.2% compared to the previous year, and it is expected that groundwater consumption will continue to decrease in the future.</p>
Groundwater – non-renewable	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	We don't take non-renewable groundwater.
Produced/Entrained water	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	We don't take produced/entained water.
Third party sources	Relevant	3725.3	About the same	Increase/decrease in business activity	<p>The use of water is essential for our business activities to produce beverages and liquor. Fresh water classified by our company includes tap water. Water supply includes all water used for beverage production water, washing water, restaurants, and toilets.</p> <p>Water intake from tap water increased by 0.8% compared to the previous year. Although it is almost the same amount, it is expected that the intake of water from tap water has partially increased due to increased utilization of product water and increased water treatment as production performance increased by 5.3% compared to the previous year. However, as it is almost similar usage compared to production performance, this may be due to the company's internal reduction efforts to save and recycle/reuse water. Even in the future, we plan to continue to reduce water consumption according to the company's efforts to use water efficiently.</p>

W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Primary reason for comparison with previous reporting year	Please explain
Fresh surface water	Relevant	369.49	Lower	Increase/decrease in efficiency	As a company that has been engaged in the production of beverages and liquor for a long time, wastewater is directly discharged into rivers at Gyeongsan Plant and Opo Plant. In the case of business sites that are directly discharged into rivers, the pollution level is lower than that of wastewater discharged to a third party, and the Opo plant, which has a large business site, installed a water quality tele monitoring system (TMS) to measure the amount of discharge, pollutant concentration, and temperature in real time. The measured discharge amount is the amount directly measured by the flow meter installed at each business site. Discharge decreased by 17.3% compared to the previous year in 2022. The reason for the decrease is the improvement of the recycling/reuse rate of water for efficient water use within the company, and we will continue to make additional efforts for efficient water use in the future.
Brackish surface water/seawater	Relevant	17.3	Lower	Increase/decrease in business activity	Our company is doing ocean discharge only at the Jeju plant located in Jeju, an island of Korea. The Jeju Plant is a business site that produces tangerine concentrate and tangerine juice using tangerines, a specialty of Jeju Island. Since tangerine production is conducted only during the winter season, the Jeju Plant is operated only for three months in a year. The discharge volume was calculated directly from the flow meter installed in the workplace. The discharge volume from the Jeju Plant decreased by 6.5% compared to the previous year in 2022, and production decreased due to the reduction in business activities. In the future, the production scale of the Jeju plant will continue to decrease according to the company's business plan.
Groundwater	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	Lotte Chilsung Beverage does not discharge discharged water into groundwater. Our current trend will continue into the future.
Third-party destinations	Relevant	2320.16	Lower	Increase/decrease in efficiency	The discharge amount was calculated through direct aggregation of flow meters installed at each business site. The amount of discharge discharged to a third party decreased by 7.73% compared to the previous year in 2022, and this is due to reduction efforts for efficient water use such as recycling/reuse of water within the company. In the future, it is expected that the amount of discharge will decrease according to the company's efforts to reduce efficient water use. Third-party discharge sites are terminal wastewater treatment plants and sewage terminal treatment plants, and most of the wastewater is treated at the facility and discharged into nearby watersheds.

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	Primary reason for comparison with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Relevant	1043.68	Lower	Increase/decrease in efficiency	31-40	<p>We are implementing advanced tertiary treatment at our four business sites. Since the three plants except the Opo plant conduct third-party treatment, only the secondary treatment is sufficient, but the company has installed a tertiary treatment facility to discharge wastewater with a lower pollution level on its own. The rate of discharge at workplaces that undergo tertiary treatment is 33.9%.</p> <p>The four business sites carry out anaerobic digestion through screening, biological and chemical treatment during the wastewater treatment process.</p> <p>Business sites that perform tertiary treatment remove suspended solids, phosphorus, nitrogen, etc. that could not be removed in the 2nd treatment by mixing chemicals with the 2nd treatment and applying pressure, coagulation, and sedimentation. Through this, effluent is discharged 100% safely. Concentrations of major contaminants such as pH level, BOD, and TSS are continuously monitored through an on-site monitoring system, and effluent samples are analyzed daily, // and effluent quality measurements are commissioned to an externally-certified agency twice a month. Effluent discharged to a third-party treatment institution is discharged to the nearby surface (river, etc.) through advanced additional treatment of the wastewater treatment facility.</p> <p>The total amount of discharge from business sites with tertiary treatment decreased by 9.5% in 2022 compared to the previous year, which is due to our internal reduction efforts such as water saving and recycling/reuse. In the future, it is expected that the amount of discharge will decrease according to the efficient use of water.</p>
Secondary treatment	Relevant	2032.76	Lower	Increase/decrease in efficiency	61-70	<p>We are implementing secondary treatment in 8 of our business sites.</p> <p>The rate of discharge from business sites that carry out secondary treatment is 66.1%. Lotte Chilsung Beverage discharges wastewater according to the wastewater discharge standards of the target region for the final treatment level of discharged water for each business site.</p> <p>In business sites that require secondary treatment, organic matter decomposition and solid matter reduction are carried out through biological treatment such as sedimentation and aeration, and nutrients such as nitrogen and phosphorus are treated below the required concentration through biological treatment and chemical treatment.</p> <p>As effluent from liquor plants consists of low-molecular organic substances such as ethanol and acetic acid, which can be decomposed by microorganisms, after the primary treatment to remove insoluble solids from the drum or bar screen in the production facility, biological treatment is carried out as secondary treatment to decompose organic matters.</p> <p>Through this, discharged water is discharged 100% safely. Main measurements such as pH level, BOD and TSS are continuously monitored by an on-site monitoring system, and the manager of the business site analyzes effluent samples every day, and measures the concentration of water pollutants in influent and treated water twice a month through an approved external analysis agency. All discharged water is measured according to in-house standard requirements, which define policies, standards and requirements for managing safety, environment and quality throughout operations and manage to meet local regulations.</p>
Primary treatment only	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	Our business sites do not discharge wastewater after only primary treatment.
Discharge to the natural environment without treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	We do not discharge wastewater into the natural environment without a separate treatment process in accordance with the effluent standards of the region where the business site is located.
Discharge to a third party without treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	We do not discharge wastewater into the third party discharge site without a separate treatment process in accordance with the effluent standards of the region where the business site is located.
Other	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	Lotte Chilsung Beverage does not discharge water through other water treatment methods.

W1.2k

(W1.2k) Provide details of your organization's emissions of nitrates, phosphates, pesticides, and other priority substances to water in the reporting year.

	Emissions to water in the reporting year (metric tonnes)	Category(ies) of substances included	List the specific substances included	Please explain
Row 1	20	Nitrates Phosphates	<Not Applicable>	<p>The total amount of nitrates and phosphates emitted from all of our business sites is 20 tons. Due to the characteristic of our industry, the concentration of pollutants in the wastewater used and discarded on site is not high. Chemicals used on site include sodium hydroxide, nitric acid, and hydrogen peroxide, which are mainly used for cleaning equipment on site. Since we do not discharge water pollutants that have a significant impact on water pollution, the concentration of water pollutants is very low even if we conduct wastewater treatment up to biological treatment.</p> <p>In the case of discharge from a third party, advanced wastewater treatment is not required under domestic law, but we continuously monitor and manage the discharge concentrations of nitrate and phosphate in order to discharge less polluted wastewater.</p> <p>For each pollutant, we set and manage the pollutant emission concentration below the legal standard for each business site, and will spare no expense in investing in the internal wastewater treatment process to reduce pollutant emission concentration.</p>

W1.3

(W1.3) Provide a figure for your organization's total water withdrawal efficiency.

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
Row 1	2642308000000	4838.89	546056636.955996	Looking at the trend of our business activities this year, sales increased compared to the previous year, but water withdrawal decreased. This is in accordance with companies' efforts to reduce water use efficiency, and it is expected that sales will continue to increase but water withdrawal will decrease.

W-FB1.3/W-AC1.3

(W-FB1.3/W-AC1.3) Do you collect/calculate water intensity for each commodity reported in question W-FB1.1a/W-AC1.1a?

Agricultural commodities	Water intensity information for this produced commodity is collected/calculated	Water intensity information for this sourced commodity is collected/calculated	Please explain
Sugar	Not applicable	No, not currently but we intend to collect/calculate this data within the next two years	<p>Lotte Chilsung Beverage evaluates water stress for sugar procurement area as part of the water risk assessment of sugar, an agricultural product in the supply chain. As part of a water risk assessment, water data intensity calculations require detailed water consumption data for crops.</p> <p>While we do not currently collect water intensity data within our supply chain, we intend to pursue engagement activities with our suppliers to put in place procedures to collect water intensity data for the sugar we supply within the next two years. Water intensity data collection for the production of sugar is not applicable.</p>
Grain	Not applicable	No, not currently but we intend to collect/calculate this data within the next two years	<p>Lotte Chilsung Beverage evaluates the sustainability within the supply chain of raw material as part of the water risk assessment of grain, the raw material of alcohol, an agricultural product within the supply chain. As part of a water risk assessment, water data intensity calculations require detailed water consumption data for crops.</p> <p>While we do not currently collect water intensity data within our supply chain, we intend to pursue engagement activities with our suppliers to put in place procedures to collect water intensity data for rice, the raw material for alcohol, within the next two years. Water intensity data collection for production of raw material of alcohol is not applicable.</p>

W1.4

(W1.4) Do any of your products contain substances classified as hazardous by a regulatory authority?

	Products contain hazardous substances	Comment
Row 1	No	The products we produce are food and beverage products consumed by consumers, and if they contain harmful substances, they directly affect the consumer's body. We produce products using only raw materials that are not harmful to the human body in accordance with the domestic food law.

W1.5

(W1.5) Do you engage with your value chain on water-related issues?

	Engagement	Primary reason for no engagement	Please explain
Suppliers	No	We are planning to do so within the next two years	
Other value chain partners (e.g., customers)	Please select	<Not Applicable>	<Not Applicable>

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

Yes

W2.1a

(W2.1a) Describe the water-related detrimental impacts experienced by your organization, your response, and the total financial impact.

Country/Area & River basin

Republic of Korea	Other, please specify (Han River, Yeongsan River)
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Type of impact driver & Primary impact driver

Acute physical	Cyclone, hurricane, typhoon
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Primary impact

Increased operating costs

Description of impact

On September 5, 2022, Typhoon Hinnamnor struck South Korea. The typhoon was accompanied by powerful winds and rains, leaving behind massive damages. Its consequences were devastating. The pipes of the Opo Plant site flew backwards and at the Gwangju Plant, the water tank's tent was damaged. The executives and employees of each business premise took measures internally and the operating cost increased following the recovery expenses.

Primary response

Greater due diligence

Total financial impact

3000000

Description of response

[Task] In case of monsoon or typhoon forecasts, inspections are carried out on the drainage facilities as well as the internal and external facilities in advance. Before the monsoon, site inspections are reinforced by executing waterproof works and examining tents, facility covers, etc. vulnerable to damage before natural disasters such as typhoons and floods occur.

[Action] As part of the efforts to prepare countermeasures, every year, during the rainy season and when there is a typhoon forecast, we designate a person in charge for each facility to inspect the facilities structures, drainage conduits, etc., create emergency contact network and report. In case of damages, actions must immediately be taken to prevent setback in production. However, in the case of damages in tents and damages outdoor facilities such as the warehouse, these could lead to safety-related issues so recovery is carried out after the natural disaster. In case there is a problem in the site facilities, the person in charge of each facility takes actions immediately to prevent setback in production. In case construction work is required after temporary actions have been taken, additional measures are executed. In the case of damages caused by Typhoon Hinnamnor last year, KRW 3 million was incurred from replacing the tents but it was a relatively small scale and in case of recovering facilities or executing waterproof works, costs of up to tens of millions of Korean Won are incurred.

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

	Water-related regulatory violations	Fines, enforcement orders, and/or other penalties	Comment
Row 1	No	<Not Applicable>	

W3. Procedures

W3.1

(W3.1) Does your organization identify and classify potential water pollutants associated with its activities that could have a detrimental impact on water ecosystems or human health?

	Identification and classification of potential water pollutants	How potential water pollutants are identified and classified	Please explain
Row 1	Yes, we identify and classify our potential water pollutants	<p>[Policies and processes for identifying and classifying potential pollutants]</p> <p>Lotte Chilsung Beverage monitors water pollutants based on Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Organic Carbon (TOC), Suspended Solid (SS), Total Nitrogen (T-N), Total Phosphorus (T-P), etc. Lotte Chilsung Beverage applies the water pollutant standards by managing each business premise.</p> <p>Potential risks may occur depending on the characteristics of the wastewater treatment facilities of the business premises. In case of heat wave during the summer, the water temperature of the aeration tank increases rapidly or the amount of planktons increases, causing problems in the wastewater treatment process and in case of facilities that operate anaerobic digesters, the load increase in the anaerobic digester if highly concentrated raw mater flows in from the site, causing anaerobic microorganisms to die, ultimately causing a problem in the wastewater treatment process.</p> <p>Potential risks that can occur for each period for each business premise are being analyzed and actions are being taken to prevent the risks concerned from occurring through periodic monitoring and response manuals, such as wastewater treatment operation management regulations and environmental risk management guidelines, are prepared so that in case of a risk, action can be taken quickly. This prevents discharges with high pollution level from being released which could affect the ecosystem.</p>	<Not Applicable>

W3.1a

(W3.1a) Describe how your organization minimizes the adverse impacts of potential water pollutants on water ecosystems or human health associated with your activities.

Water pollutant category

Inorganic pollutants

Description of water pollutant and potential impacts

Drinking the water containing inorganic pollutants above the standards in water used within the facility may cause physical damages such as colitis, kidney and skin damages.

If people consume such pollutants, they will suffer direct damages so potential pollutants must be controlled strictly.

Value chain stage

Direct operations

Actions and procedures to minimize adverse impacts

Beyond compliance with regulatory requirements
Reduction or phase out of hazardous substances

Please explain

[Risk management method of potential impacts]

In case underground water is withdrawn and used as product water without purification, it may impact the consumers due to the impact of inorganic salts. In order to satisfy the concentration of inorganic salts that conforms to the drinking water standard, chemicals are added and it undergoes the purification process to produce drinking water that is not harmful to the human body.

[Action, procedure and performance measurement method]

To lower inorganic salts, it undergoes a purification process to lower the concentration of inorganic salts to the drinking water standard through a purification facility within the business premise. Before being produced as products, checks are made every day through testing to determine if the water quality conforms to the drinking water standard.

Water pollutant category

Nitrates

Description of water pollutant and potential impacts

In case wastewater with high concentration of nitrate is discharged to streams or lakes, etc. during the wastewater treatment process, it causes eutrophication, red tide phenomenon in coasts, fish poisoning caused by ammonia, dissolved oxygen deficiency in water, etc. Ammonia in water supply increases the chlorine demand and in case high concentration of nitrate nitrogen exists in drinking water, it also causes health hazards.

In case high concentration of nitrogen flows into the water system, it causes economic loss following the increase in purification cost and problems such as difficulties in securing safe and clean water resources in terms of public health so it is important to fundamentally block high concentration of nitrate from flowing into the water system.

Value chain stage

Direct operations

Actions and procedures to minimize adverse impacts

Beyond compliance with regulatory requirements
Reduction or phase out of hazardous substances
Upgrading of process equipment/methods

Please explain

[Risk management method of potential impacts]

Lotte Chilsung Beverage closely monitors the concentration of nitrogen and phosphorous as well as compounds that can cause eutrophication in the surrounding environment when discharges produced in each business premise are released through wastewater treatment facilities. In case the concentration of the pollutants is high or the treatment efficiency of the wastewater treatment facility drops based on the monitoring result, improvement activities are executed by adding additional chemicals or by adding equipment and by establishing a pollutant discharge concentration standard for each business premise, it is being managed so that pollutants can be discharged below the standard concerned.

[Action, procedure and performance measurement method]

The person in charge of wastewater treatment measures and monitors the concentration of water pollutants such as Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Organic Carbon (TOC), Suspended Solid (SS), Total Nitrogen (T-N), Total Phosphorus (T-P), etc. based on the inflow and discharges for each business premise every day and consigns to a reliable external institution twice a month to measure the concentration of the pollutants concerned additionally. In addition, monthly reports on the concentration of each pollutant are written and reported every month.

Water pollutant category

Phosphates

Description of water pollutant and potential impacts

In case wastewater with high concentration of phosphate is discharged to streams or lakes, etc. during the wastewater treatment process, it causes eutrophication, red tide phenomenon in coasts, fish poisoning caused by ammonia, dissolved oxygen deficiency in water, etc. In case phosphorus in water supply flows in, it may cause damages in treatment facilities through excessive growth of algae and due to the metabolite produced by excessive propagation of algae, it may cause discomfort in the taste, odor, etc. of the tap water. In case high concentration of phosphorus flows into the water system, it causes economic loss following the increase in purification cost and problems such as difficulties in securing safe and clean water resources in terms of public health so it is important to fundamentally block high concentration of nitrate from flowing into the water system.

Value chain stage

Direct operations

Actions and procedures to minimize adverse impacts

Beyond compliance with regulatory requirements
Reduction or phase out of hazardous substances
Upgrading of process equipment/methods

Please explain

[Risk management method of potential impacts]

Lotte Chilsung Beverage closely monitors the concentration of nitrogen and phosphorous as well as compounds that can cause eutrophication in the surrounding environment when discharges produced in each business premise are released through wastewater treatment facilities. In case the concentration of the pollutants is high or the treatment efficiency of the wastewater treatment facility drops based on the monitoring result, improvement activities are executed by adding additional chemicals or by adding equipment and by establishing a pollutant discharge concentration standard for each business premise, it is being managed so that pollutants can be discharged below the standard concerned.

[Action, procedure and performance measurement method]

The person in charge of wastewater treatment measures and monitors the concentration of water pollutants such as Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Organic Carbon (TOC), Suspended Solid (SS), Total Nitrogen (T-N), Total Phosphorus (T-P), etc. based on the inflow and discharges for

each business premise every day and consigns to a reliable external institution twice a month to measure the concentration of the pollutants concerned additionally. In addition, monthly reports on the concentration of each pollutant are written and reported every month.

Water pollutant category

Other nutrients and oxygen demanding pollutants

Description of water pollutant and potential impacts

In case water used within the facility contains Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD), the concentration of organic matters can rise or the oxygen saturation can drop at the tributary where the wastewater is being discharged, causing water pollutants in the stream. Such water pollutants pose a direct threat to the aquatic animals and the ecosystem so such potential pollutants must be controlled.

Value chain stage

Direct operations

Actions and procedures to minimize adverse impacts

Beyond compliance with regulatory requirements
Reduction or phase out of hazardous substances
Upgrading of process equipment/methods

Please explain

[Risk management method of potential impacts]

Lotte Chilsung Beverage closely monitors the other nutrients and oxygen demanding pollutants that can cause environmental pollution when discharges produced in each business premise are released through wastewater treatment facilities. In case the concentration of the pollutants is high or the treatment efficiency of the wastewater treatment facility drops based on the monitoring result, improvement activities are executed by adding additional chemicals or by adding equipment and by establishing a pollutant discharge concentration standard for each business premise, it is being managed so that pollutants can be discharged below the standard concerned.

[Action, procedure and performance measurement method]

The person in charge of wastewater treatment measures and monitors the concentration of water pollutants such as Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Organic Carbon (TOC), Suspended Solid (SS), Total Nitrogen (T-N), Total Phosphorus (T-P), etc. based on the inflow and discharges for each business premise every day and consigns to a reliable external institution twice a month to measure the concentration of the pollutants concerned additionally. In addition, monthly reports on the concentration of each pollutant are written and reported every month.

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Value chain stage

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an established enterprise risk management framework

Frequency of assessment

Annually

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market

Tools and methods used

WRI Aqueduct

Contextual issues considered

Water quality at a basin/catchment level

Stakeholder conflicts concerning water resources at a basin/catchment level

Impact on human health

Implications of water on your key commodities/raw materials

Water regulatory frameworks

Status of ecosystems and habitats

Access to fully-functioning, safely managed WASH services for all employees

Stakeholders considered

Customers

Employees

Investors

Local communities

Regulators

Comment

Lotte Chilsung Beverage conducted a water risk assessment for all production facilities using the World Resources Institute (WRI) Aqueduct tool. Water risk assessment conducted an analysis until 2040 by using the tool concerned. The assessment result is utilized to manage the risk of each business premises through the database and the water risk is reported publicly in the sustainable management report annually.

In addition, we not only response to water-related regulations of internal water risks but also engage in response activities by considering the impact on human health, water provision of executives and employees (WASH) and furthermore, the ecosystem and habitat of the nearby regions for each business premise for various stakeholders such as customers, employees, investors and regional communities.

W3.3b

(W3.3b) Describe your organization’s process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

	Rationale for approach to risk assessment	Explanation of contextual issues considered	Explanation of stakeholders considered	Decision-making process for risk response
Row 1	<p>[Assessment tool and application of assessment method]</p> <p>Lotte Chilsung Beverage conducted a water risk analysis for each location of the business premise in order to monitor the water availability and water quality of the present and the future.</p> <p>For this, we used the WRI AQUEDUCT Tool as the assessment tool and it was used as the assessment method to predict the water availability and stress of the years 2030 and 2040.</p> <p>Through the analysis tool, we have confirmed that not only our company but also suppliers within the supply chain are faced with similar risks. Therefore, we aim to share the risk assessment methods and results continuously and collaborate to prepare joint countermeasures. We plan to put in joint efforts in order to identify financial and strategic impacts of water fluctuation and to resolve problems by identifying water risks and opportunities in the supply chain, analyzing financial impacts, continuously analyzing and monitoring response plans and identifying results.</p> <p>Additionally, Lotte Chilsung Beverage assesses water stress within the basins related to each stage within the value chain, risk of pollution, biodiversity and reputation risk from stakeholders and reflects the opinions of the stakeholders regarding the collection of information, water saving activities, drainage water quality management and water source preservation activities, etc. by communicating with the stakeholders related to the basins in the unit of each facility of our company.</p>	<p>[Availability of water resources/Disputes/Regulations related to water]</p> <p>Our beverage and liquor products are manufactured using water and the water is absorbed in the bodies of the consumers so any change in the quality of water used to manufacture the products is a factor that increases the risk of reputation, litigation, etc. and can have an important impact on the operation of our company.</p> <p>Moreover, the production of agricultural products which are raw materials of beverages and liquors can be significantly affected by the stable water supply so any change in the supply quantity of such raw materials can have a significant impact on the operation of our company. Due to such reasons, it is essential to secure stable supply of water resources by cooperating with several stakeholders such as other business operators or agriculturalists who use water in the target region.</p> <p>[Current status of the ecosystem and habitat]</p> <p>We recognizes the need for securing biodiversity and preserving the ecosystem in order to preserve the water resources beyond securing stable water resources of the region where the business premise is located in. In addition, although majority of the business premises are located in industrial complex, Opo Plant is located in a general clean region. Therefore, collaboration has been established in partnership with the competent local government and environmental preservation activities are being carried out in order to preserve the ecosystem and the habitat.</p>	<p>[Customer]</p> <p>The stability of water used as raw material in the products of our company is an important factor that is closely related to the health of customers so customers are considered as a key stakeholder in the water risk assessment of our company.</p> <p>[Regional community]</p> <p>Risks that other business operators or agriculturalists using water in the region are concerned about may occur in relation to the increased risk of water stress and depletion in the place where the Lotte Chilsung Beverage’s facilities are located in. The regional community is considered as a key stakeholder in the water risk assessment of our company in order to promote the continuity of business through joint operation by cooperating with the community using water in the region with regard to the use of water.</p> <p>[Investor]</p> <p>Lotte Chilsung Beverage fulfills its responsibility to investors by providing accurate information to investors regarding the business operation based on investment and considers investors as a key stakeholder in the water risk assessment of our company.</p> <p>[Employee]</p> <p>We conducts an internal program so that participation can be made in the water saving, monitoring activities, etc. of the executives and employees in order to achieve our company’s water management objectives, reduce water risks and to achieve opportunities.</p>	<p>[The method of risk assessment results providing information for internal decision-making]</p> <p>Lotte Chilsung Beverage identifies assessment results with financial impacts by assessing the period of occurrence and the possibility of occurrence through risk assessment. Such key water risks are shared with stakeholders such as group companies, customers and investors through sustainability reports and countermeasures for response are being prepared to mitigate risks by assigning roles to the executives and employees within the company.</p> <p>In addition, in order to analyze the implementation process of risks and response measures, monitoring is conducted every quarter for each business premise, results are shared with the executives and employees, the performances are presented as agenda through the ESG Committee and the short/mid/long-term water management objectives and policies are identified and implemented to reflect the matters that have been determined in the internal procedures.</p> <p>In the future, we plan to report the risk assessment results of Lotte Chilsung Beverage to the respective stakeholders and implement internalization and advancement by conducting periodic monitoring and performance assessment to manage objectives, response plans and performances through internal decision-making organizations.</p>

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, only within our direct operations

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

[Defining the actual financial or strategic impact]

Lotte Chilsung Beverage sets the strategic impact of water risks as potential or actual risks and opportunities that may have our financial impact, depending on water risks and opportunities. We evaluate 'financial or strategic impact' as the timing, likelihood, and potential impact of water risk forecasts for enterprise risk management. The real financial or strategic impact is closely linked to water-related risks and opportunity factors that cause significant changes in the market, reputation, operations, assets, revenue or expenditure of the business we operate in. These impacts can include the impact of water risk on product sales, water-related investment costs, and compliance.

In order to understand the financial or strategic impact of Lotte Chilsung Beverage, WRIQUEDUCT TOOL identifies the actual impact of the region where our workplace is located and evaluates the volatility of the actual impact of changes in water stress. The materiality of the strategic impact of water risk is classified into high, medium-high, medium, medium-low, and low, and the company's material issues related to water stress are managed according to the strategic impact.

[Description of indicators]

Lotte Chilsung Beverage evaluates water-related substantial financial or strategic impacts based on three indicators: water risk forecast occurrence time, occurrence probability, and potential impact of the risk.

The forecast occurrence point of a water risk is how quickly the occurrence of a water list will affect us, which determines the level at which we must respond. The timing of occurrence of these risks is evaluated by classifying them as within 1 year, 1 year to 3 years, 4 years to 6 years, and more than 6 years.

The possibility of occurrence of water risk is indicated by the degree of possibility of occurrence of the water risk facing the company, and is divided and evaluated as almost possible (99-100%), very high possibility (90-99%), high possibility (66-90%), quite possible (50-66%), maybe possible (30-50%), low possibility (10-30%), very low possibility (0-10%), almost impossible (less than 0-1% chance).

The potential impact of water risk is that the size of assets owned by the company or the amount of change in profit or loss is affected by the risk of water, and the size of the impact is evaluated as high, medium high, medium, low medium, or low. In determining the final risk impact, we comprehensively consider not only the impact of the risk, the timing and possibility of occurrence, but also the market, reputation, and corporate brand.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	4	26-50	As a result of water risk analysis, 4 out of a total of 11 business sites with production facilities we operate were classified as high-risk business sites. The percentage of water withdrawal from the four business sites out of all business sites is 44.6%.

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

Republic of Korea	Han-Gang (Han River)
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Number of facilities exposed to water risk

2

% company-wide facilities this represents

26-50

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

31-40

Comment

Using the WRI AQUEDUCT Tool, Lotte Chilsung Beverage confirmed that 4 out of 11 beverage and liquor production facilities experienced high water stress. Among these, the basin that is linked with two production facilities (Anseong and Anseong 2nd Plant) is the Han River in Korea. The sum of revenue of Anseong Plant and Anseong 2 Plant is KRW 933.9 billion, and total revenue of Lotte Chilsung Beverage are KRW 2345.1 billion. Thus, the two plants account for 39.8% of total revenue.

Country/Area & River basin

Republic of Korea	Other, please specify (Saemangeum River)
-------------------	--

Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

1-10

Comment

Using the WRI AQUEDUCT Tool, Lotte Chilsung Beverage confirmed that 4 out of 11 beverage and liquor production facilities experienced high water stress. Among these, the basin that is linked with Gunsan plant is the Saemangeum River in Korea. The revenue of the Gunsan Plant amounted to KRW 165.2 billion, accounting for 7% of total revenue.

Country/Area & River basin

Republic of Korea	Other, please specify (Yeongsan River)
-------------------	--

Number of facilities exposed to water risk

1

% company-wide facilities this represents

Less than 1%

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

Less than 1%

Comment

Using the WRI AQUEDUCT Tool, Lotte Chilsung Beverage confirmed that 4 out of 11 beverage and liquor production facilities experienced high water stress. Among these, the basin that is linked with Gwangju plant is the Yeongsan River in Korea. The revenue of the Gwangju Plant amounted to KRW 20.7 billion, accounting for 0.88% of total revenue.

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Republic of Korea	Han-Gang (Han River)
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Type of risk & Primary risk driver

Chronic physical	Water stress
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Primary potential impact

Increased production costs

Company-specific description

As Lotte Chilsung Beverage is a company operating the beverage and liquor business, about 70.7% of sales are made up of beverages and 29.3% of liquor, so high-quality water is an essential raw material for manufacturing products.

However, as water stress intensifies due to changes in extreme weather patterns and fluctuating weather conditions, it negatively impacts beverage and liquor manufacturing and overall business operations, leading to increased operating costs.

In particular, the Han River basin is a very important location as it accounts for a large portion of our sales as it is the basin where our major production plants such as Anseong Plant, Anseong 2nd Plant, and Opo Plant are located. As of 2022, the sales of three plants, Anseong Plant, Anseong Plant 2, and Oppo Plant, account for 52% of total sales.

Water stress in the location of our domestic production plants is increasing. In particular, among production facilities located in the Han River basin, Anseong Plant and Anseong 2nd Plant were found to have a 4th level high (40-80%) in water stress, and this can negatively impact product production and business operations.

We analyzed the risk of water withdrawal restriction due to water stress and drought in the area where the domestic production plant is located. As a result of checking the water stress index of the area where the production plant is located using the 'Aqueduct tools' of the World Resources Institute (WRI), 4 of the production facilities were found to have a high water stress index (40-80%). Increased water stress can lead to difficulties in securing new water sources, in addition to restrictions on water withdrawal from existing water sources, which can increase production costs.

Timeframe

4-6 years

Magnitude of potential impact

Medium-high

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1847135582

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact

Out of 11 total production facilities of Lotte Chilsung Beverage, 4 places with severe water stress are expected to incur damages of KRW 180 million, or 1% of total sales. (In 2022, Lotte Chilsung Beverage's cost of reducing sales at production facilities in areas with severe water stress = Proportion of production facilities in areas with severe water stress among all production facilities * 1% of annual sales in 2022 (decrease rate assumption) = KRW 1,847,135,550)

Primary response to risk

Adopt water efficiency, water reuse, recycling and conservation practices

Description of response

(Situation) Lotte Chilsung Beverage, in order to minimize disruptions in business operation caused by water withdrawal restriction and water withdrawal deterioration due to increased water stress,

(Task) Through water stress analysis, we want to identify areas with extreme risk and manage water risk.

(Action1) Lotte Chilsung Beverage prioritizes the identified production facilities to determine whether water can be recycled or reused first, and plans to review technology introduction and establish a water resource management system.

(Action 2) We are making efforts to encourage the reduction of water resource use and establish an efficient water resource system targeting our partners who have established a cooperative system with us.

(Action 3) In addition, we are contributing to the improvement of the water environment by throwing EM (Effective Micro-organisms) clay balls to protect water resources near our business sites, preserving the ecosystem of Seokchon Lake, and carrying out water quality improvement projects. We plan to expand activities to protect the ocean, where water is finally discharged, by carrying out marine environment cleaning activities as well as near our business sites.

Cost of response

300000000

Explanation of cost of response

Lotte Chilsung Beverage is operating a water quality improvement project for Seokchon Lake at the head office level, improving the amount of recycling/reuse at each business site, stream cleaning activities near the business site, etc.

The estimated cost was prepared by estimating the project implementation cost in 2022 and the technology investment cost for recycled/reuse water resources. The response cost is the required enforcement cost on an annual basis.

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	<p>Lotte Chilsung Beverage, as a food and beverage company that produces beverages and liquor, uses not only water but also various raw materials and packaging materials such as agricultural products, biological resources, and plastics in the production process. Our supply chain includes our suppliers. In particular, for companies that process and supply agricultural products, water-related risks such as water withdrawal, water quality, and water stress can be a major factor in determining the production volume and quality of products. However, sugar, coffee, and rice (raw materials for alcohol) are mainly supplied from countries with low water stress, such as Brazil, China, and Vietnam. For this reason, we determined that the level of exposure to water risk in our value chain is not high.</p> <p>Lotte Chilsung Beverage has plans to conduct engagement activities with suppliers regarding water issues and risks. In 2022, we held an ESG supply chain agreement ceremony for major partners that supply raw materials, packaging materials, and products. This is an expression of our will to establish ESG management with the supply chain, and we evaluated the management level of environmental management by visiting each business site using an external evaluation agency for the suppliers. Among them, we have identified the current status of water management and reduction efforts of companies, and plan to build a cooperative system with suppliers in the future to implement water management activities and support for water-related risk management of corporates.</p>

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Efficiency

Primary water-related opportunity

Cost savings

Company-specific description & strategy to realize opportunity

[The specific impact of the opportunity on the business]

As Lotte Chilsung Beverage is a company operating the beverage and liquor business, about 70.7% of sales are made up of beverages and 29.3% of liquor, so high-quality water is an essential raw material for manufacturing products. In the process of manufacturing beverages and liquor, high-quality water is used for a variety of purposes, including cleaning manufacturing facilities as well as raw materials.

In order to respond to risks such as water shortage and deterioration of water quality due to changes in extreme climate patterns and weather conditions, we are actively applying water efficient operation, water recycling technology introduction, and water reduction activities to domestic production plants. This is an opportunity to reduce water usage and manufacturing costs in our production facilities.

As the need for new technology investment to reduce water consumption and increase recycling in production facilities increases, Lotte Chilsung Beverage is carrying out efficient water management activities to reduce water consumption, focusing on production facilities with high risk of water stress, such as Anseong Plant, Anseong 2nd Plant 2, Gunsan Plant, and Gwangju Plant.

[Actual results + implementation period]

Lotte Chilsung Beverage selects improvement items to improve the recycled/reuse rate of water for each business site every year and implements reduction efforts on an annual basis. In 2022, a total of 4 improvement activities were carried out at the Anseong Plant, including improving the water withdrawal from the groundwater well and reducing the water used to wash the dining table, and improvement activities such as reusing the final rinsing water of the bottle washer and reducing water consumption by changing the brewing filter type was carried out in the Gwanju Plant. In addition, the Daejeon Plant carried out company-wide water recycled/reuse activities, such as installing water-saving devices for washing dishes in the dining room and reducing water consumption through CIP matrix adjustment at the Yangsan Plant, and as a result, the recycling rate improved from 11% in 2021 to 14% in 2022.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

232705367

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact

Lotte Chilsung Beverage reduced water withdrawal by 6.7% in 2022 compared to the previous year. Through this, the opportunity cost was calculated by applying the reduced water withdrawal compared to the total water withdrawal in 2022 and the average water supply rate in 2022.

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year.

Facility reference number

Facility 1

Facility name (optional)

Anseong Plant

Country/Area & River basin

Republic of Korea	Han-Gang (Han River)
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Latitude

36.97647

Longitude

127.262693

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

1369.93

Comparison of total withdrawals with previous reporting year

Lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

243.54

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

1126.39

Total water discharges at this facility (megaliters/year)

866.42

Comparison of total discharges with previous reporting year

Lower

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

866.42

Total water consumption at this facility (megaliters/year)

503.51

Comparison of total consumption with previous reporting year

About the same

Please explain

Water withdrawal at the Anseong Plant decreased by 0.83% from 1,381.35ML/year in 2021 to 1,369.93ML/year in 2022, and discharge decreased by 1.32% from 878.0ML/year in 2021 to 866.42ML/year in 2022.

The amount of water withdrawal and discharge is an aggregated value from the flow meter installed at the business site, and is showing a slight decrease overall. The third-party water withdrawal of the Anseong Plant is supplied by the local government, and the third-party discharge is a treatment plant operated by the local government, which

collects local wastewater and discharges it to a nearby area after further treatment at the treatment plant.

The consumption generated by our company is the number of products used in the product and the amount of evaporation. The corresponding consumption is a figure calculated as 'water withdrawal-discharge amount'. Consumption at the Anseong plant is similar to the previous year, from 503.35ML/year in 2021 to 503.51ML/year in 2022.

Anseong Plant is Lotte Chilsung Beverage's main production plant for beverages, and production lines will be expanded and advanced facilities will be introduced in the future. Therefore, water withdrawal, consumption and discharge are expected to increase overall. However, compared to the expansion of the business site and the increase in production, the amount of water withdrawal and consumption did not increase much, so water resources are managed relatively efficiently.

Facility reference number

Facility 2

Facility name (optional)

Anseong 2 plant

Country/Area & River basin

Republic of Korea	Han-Gang (Han River)
-------------------	----------------------

Latitude

36.963185

Longitude

127.251441

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

13.52

Comparison of total withdrawals with previous reporting year

Much lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

5.55

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

7.97

Total water discharges at this facility (megaliters/year)

11.55

Comparison of total discharges with previous reporting year

Much lower

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

11.55

Total water consumption at this facility (megaliters/year)

1.97

Comparison of total consumption with previous reporting year

Much lower

Please explain

Water withdrawal at the Anseong 2 Plant decreased by 85.5% from 93.21ML/year in 2021 to 13.5ML/year in 2022, and discharge decreased by 76.8% from 49.71ML/year in 2021 to 11.55L/year in 2022.

The amount of water withdrawal and discharge is an aggregated value from the flow meter installed at the business site, and is showing a slight decrease overall. The third-party water withdrawal of the Anseong 2 Plant is supplied by the local government, and the third-party discharge is a treatment plant operated by the local government, which collects local wastewater and discharges it to a nearby area after further treatment at the treatment plant.

The consumption generated by our company is the number of products used in the product and the amount of evaporation. The corresponding consumption is a figure

calculated as 'water withdrawal-discharge amount'. The consumption of Anseong 2 Plant decreased by 95.5% from 43.5ML/year in 2021 to 1.95ML/year in 2022. The Anseong 2 Plant is a business site located near the Anseong Plant and due to aging facilities and the expansion of the Anseong Plant, the Anseong 2 Plant has been reduced in production from 2022. So far, only the minimum necessary production has been operated, and the operation of the plant is expected to further decrease in the future. Therefore, Anseong 2 Plant will continue to reduce water withdrawal, consumption, and discharge.

Facility reference number

Facility 3

Facility name (optional)

Kwangju plant

Country/Area & River basin

Republic of Korea	Other, please specify (Yeongsan River)
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Latitude

35.199021

Longitude

126.87798

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

34.51

Comparison of total withdrawals with previous reporting year

Higher

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

0

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

34.51

Total water discharges at this facility (megaliters/year)

21.63

Comparison of total discharges with previous reporting year

Higher

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

21.63

Total water consumption at this facility (megaliters/year)

12.88

Comparison of total consumption with previous reporting year

Much higher

Please explain

Water withdrawal at the Gwangju Plant increased by 79.7% from 19.2ML/year in 2021 to 34.5ML/year in 2022, and discharge decreased by 42.1% from 15.2ML/year in 2021 to 21.6ML/year in 2022.

The consumption generated by our company is the number of products used in the product and the amount of evaporation. The corresponding consumption is a figure calculated as 'water withdrawal-discharge amount'. Consumption at the Gwangju Plant increased by 222% from 4ML/year in 2021 to 12.9ML/year in 2022. The reason for the increase in consumption is that the Gwangju plant was operated as a beverage production plant until 2021, but has been producing beverage and liquor together since 2022. As a result, there has been a change in the production process, and the number of production operation days has increased approximately twice from 160 days in 2021 to 300 days in 2022. As a result, water withdrawal, discharge, and consumption increase overall.

The Gwangju plant was a small-scale production facility, but since 2022, beverages and liquor have been produced together, and production has increased compared to the previous year. However, since the number of production lines at the Gwangju Plant is not large, even if production increases, production, discharge, and consumption are

unlikely to increase significantly in the future. Therefore, it is expected that the water resource consumption of the Gwangju Plant will be similar every year in the future.

Facility reference number

Facility 4

Facility name (optional)

Gunsan Plant

Country/Area & River basin

Republic of Korea	Other, please specify (Seamangeum River)
-------------------	--

Latitude

35.974458

Longitude

126.651324

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

739.5

Comparison of total withdrawals with previous reporting year

Lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

0

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

739.5

Total water discharges at this facility (megaliters/year)

521.98

Comparison of total discharges with previous reporting year

Lower

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

521.98

Total water consumption at this facility (megaliters/year)

217.52

Comparison of total consumption with previous reporting year

Higher

Please explain

Water withdrawal at the Gunsan Plant decreased by 1.7% from 751.9ML/year in 2021 to 739.5ML/year in 2022, and discharge decreased by 4.5% from 546.8ML/year in 2021 to 522.0ML/year in 2022.

The consumption generated by our company is the number of products used in the product and the amount of evaporation. The corresponding consumption is a figure calculated as 'water withdrawal-discharge amount'. Consumption at the Gunsan Plant increased by 6.1% from 205.1ML/year in 2021 to 217.5ML/year in 2022. Water withdrawal and discharge decreased at the Gunsan Plant, but consumption increased because water was used more efficiently than the previous year. In 2022, the Gunsan Plant's production increased by 11.6% compared to the previous year, and as production increases, water consumption should also increase, but as water saving and water reuse increase, water withdrawal and discharge have relatively decreased.

The Gunsan Plant is a business that produces liquor and mainly produces alcohol. In the future, production volume will increase as the Lotte Chilsung Beverage business extends, but water withdrawal and discharge are expected to remain similar or decrease depending on efficient water use efforts. Consumption will also increase as production increases due to product quantity and evaporation. Since the Gunsan Plant is located in a water stress area, we plan to continuously monitor and manage water use.

(W5.1a) For the facilities referenced in W5.1, what proportion of water accounting data has been third party verified?

Water withdrawals – total volumes

% verified
76-100

Verification standard used

Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain
<Not Applicable>

Water withdrawals – volume by source

% verified
76-100

Verification standard used

Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain
<Not Applicable>

Water withdrawals – quality by standard water quality parameters

% verified
76-100

Verification standard used

Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain
<Not Applicable>

Water discharges – total volumes

% verified
76-100

Verification standard used

Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain
<Not Applicable>

Water discharges – volume by destination

% verified
76-100

Verification standard used

Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain
<Not Applicable>

Water discharges – volume by final treatment level

% verified
76-100

Verification standard used

Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain
<Not Applicable>

Water discharges – quality by standard water quality parameters

% verified
76-100

Verification standard used

Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain
<Not Applicable>

Water consumption – total volume

% verified

76-100

Verification standard used

Consumption is disclosed indirectly as 'water withdrawal-discharge'. Lotte Chilsung Beverage discloses this information every year through the publication of our sustainability report, reports in accordance with the GRI 303 standard, and receives limited assurance through third-party verification in accordance with AA1000AS.

Please explain

<Not Applicable>

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Commitment to prevent, minimize, and control pollution Commitment to reduce water withdrawal and/or consumption volumes in supply chain Commitment to safely managed Water, Sanitation and Hygiene (WASH) in local communities Commitment to water stewardship and/or collective action Commitment to the conservation of freshwater ecosystems Commitments beyond regulatory compliance Reference to company water-related targets Acknowledgement of the human right to water and sanitation Recognition of environmental linkages, for example, due to climate change	(Reference to company water-related targets) (Description of business dependency on water) As a company that consumes a lot of water resources, Lotte Chilsung Beverage has established a 'water resource management policy' as part of our active responsibility for efficient management of water resources, minimization of environmental impact, and reuse/reuse of water resources, in order to relieve high dependence on water resources in the production of beverages and alcoholic beverages and to maintain product productivity and quality. (Description of business impact on water) Beverage and liquor production, which is our business portfolio, can lead to increased water stress due to the possibility of leakage of pollutants between production processes and high dependence on water resources. (Commitment to water stewardship and/or collective action) To manage this, we strive to jointly respond to water resource risks and opportunity factors through management activities that all stakeholders, including all business sites, employees, subsidiaries, and partners, can implement and support. (Commitments beyond regulatory compliance) We are constantly researching and developing to reduce the use of water resources throughout our management activities and to ensure that the used water resources are reused without being discharged as much as possible. In addition, we establish risk response plans for business sites with high water resource risks, and are doing our best to improve customer safety and water resource use in the event of water resource risks. (Commitment to reduce water withdrawal and/or consumption volumes in supply chain) Our efforts include joint implementation efforts to establish cooperative relationships with partners in our supply chain, and to manage water withdrawal and consumption through reduction of water resource use and establishment of an efficient water resource management system, rather than independent efforts. Specific implementation plans include minimizing environmental impact and pollution through water quality control and monitoring of water resources used by the company, minimizing impact on the environment, ecosystem, and species based on a sense of responsibility for water resource utilization, strengthening collaboration with local communities for business sites with high water resource risks, and securing water resource sources to supply safe water resources by preparing alternative water resource utilization plans.

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual or committee	Responsibilities for water-related issues
Chief Executive Officer (CEO)	<p>[Role and responsibility] The CEO of Lotte Chilsung Beverage has the role of making the final decision on all climate change and water-related issues of the company. As the chairman of the board of directors, the CEO shares major tasks with the six committees (Audit Committee, Remuneration Committee, Management Committee, ESG Committee, etc.) within the board of directors and makes major management decisions.</p> <p>[Example of water-related decision making] The CEO of Lotte Chilsung Beverage sets ESG management at the level of a global advanced company as the goal of sustainability management and is promoting ESG management with customers and stakeholders. The CEO had set goals for 2022 to improve water withdrawal and recycling rates for efficient water resource management, and after discussion, the goals were approved by the ESG Committee under the Board of Directors. To ensure that water resources are recycled/reused, Lotte Chilsung Beverage's CEO and the ESG Committee under the board of directors establish a monitoring system to directly supervise sustainability and water agendas, including strategic decisions and performance management. They have established specific implementation plans for the implementation of the water resource management policy, and established water resource reduction targets and action plans to minimize the impact on the environment throughout our business activities.</p>

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Monitoring progress towards corporate targets Overseeing and guiding scenario analysis Overseeing the setting of corporate targets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Setting performance objectives	<p>[Role and status of board of directors]</p> <p>The board of directors of Lotte Chilsung Beverage has an ESG Committee composed of five outside directors. Through the ESG Committee, we are reviewing the direction of the company's sustainability management strategy for the environment, society, and governance for Lotte Chilsung Beverage business operations, and ESG project performance and plans for the previous year and the current year, as well as major non-financial risks and issues related to the environment and society. Among them, we establish response strategies, approve major tasks, and finalize information disclosure for climate change-related and water-related issues, which Lotte Chilsung Beverage focuses on.</p> <p>The ESG Committee is held regularly at least twice a year, and additional committees are held when important issues arise. The ESG Committee was held three times in 2022, and agendas regarding the establishment of an environmental management system based on climate change and water-related global standards, the establishment and advancement of water resource management goals, the current status of water resource efficiency improvement, a CEO ESG KPI task, and the review and establishment of mid- to long-term operation plans and water-related roadmaps were reported.</p>

W6.2d

(W6.2d) Does your organization have at least one board member with competence on water-related issues?

	Board member(s) have competence on water-related issues	Criteria used to assess competence of board member(s) on water-related issues	Primary reason for no board-level competence on water-related issues	Explain why your organization does not have at least one board member with competence on water-related issues and any plans to address board-level competence in the future
Row 1	No, but we plan to address this within the next two years	<Not Applicable>	Important but not an immediate priority	Lotte Chilsung Beverage currently does not have any members of the board who are specialized in water-related issues. However, within the next two years, we plan to appoint a water-related expert as an outside director who can professionally judge major water-related issues and review the direction of the strategy.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

Chief Executive Officer (CEO)

Water-related responsibilities of this position

- Assessing water-related risks and opportunities
- Managing water-related risks and opportunities
- Setting water-related corporate targets
- Monitoring progress against water-related corporate targets
- Integrating water-related issues into business strategy
- Managing annual budgets relating to water security
- Managing water-related acquisitions, mergers, and divestitures

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

The CEO of Lotte Chilsung Beverage is in charge of the company's ESG management performance and oversees all ESG management activities. In particular, by reflecting non-financial performance in the CEO performance evaluation every year, ESG management and especially management issues related to water are overseen. Lotte Chilsung Beverage established an ESG team. The ESG team identifies the ESG requirements of various stakeholders, analyzes issues, manages risks, and establishes ESG strategies.

The CEO is in charge of reviewing and approving goal setting for major water-related tasks every year, receives periodic performance reports on major tasks and ESG management performance, and makes decisions on information disclosure. In addition, the CEO reviews the progress on major issues, establishes strategies and conducts improvement evaluations, and systematically monitors the relevant tasks of the jurisdiction and related departments to ensure smooth water management.

Name of the position(s) and/or committee(s)

Other, please specify (ESG Committee)

Water-related responsibilities of this position

- Assessing water-related risks and opportunities
- Setting water-related corporate targets
- Monitoring progress against water-related corporate targets
- Integrating water-related issues into business strategy

Frequency of reporting to the board on water-related issues

Half-yearly

Please explain

Lotte Chilsung Beverage operates the highest decision-making body for ESG management by establishing the ESG Promotion Committee chaired by an outside director to emphasize the independence of ESG management. Since establishment in 2021, Lotte Chilsung Beverage's ESG management activities have been diagnosed, ESG strategy and ESG KPI have been established, ESG report publication have been approved, etc., and major tasks such as review of the 2022 ESG implementation plan, report on the 2022 KPI agenda, and report on the establishment of the mid- to long-term ESG roadmap were approved. The committee is held regularly every half year, and when major issues arise, the committee is held to clarify its roles and responsibilities so that it can become the focal point of practical ESG management.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	In July 2021, the Lotte Group held the 'ESG Management Declaration Ceremony' held at the 'VCM (Value Creation Meeting) meeting in the second half of 2021, and have declared Δ achieving carbon neutrality by 2040, Δ promoting the formation of an ESG committee under the board of directors of listed subsidiaries, Δ reflecting ESG management performance in CEO evaluation. The CEO's performance is calculated based on the evaluation. Lotte Chilsung Beverage's CEO ESG KPI evaluation items include water resource sensitivity, packaging and waste, and product carbon footprint. Among them, detailed indicators related to water resource sensitivity include continuous improvement of water efficiency and expansion of water recycling rates. Continuous improvement of water resource efficiency is evaluated by setting the water intake source unit as a target, and the water recycling rate expansion index is evaluated by targeting the water recycling rate.

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Contribution of incentives to the achievement of your organization's water commitments	Please explain
Monetary reward	Chief Executive Officer (CEO)	Reduction of water withdrawals – direct operations Improvements in water efficiency – direct operations Improvements in wastewater quality – direct operations Reduction of water pollution incidents Company performance against a sustainability index with water-related factors (e.g., DJSI, CDP Water Security score, etc.) Implementation of employee awareness campaign or training program on water-related issues Implementation of water-related community project	[Performance indicator] We are a food and beverage manufacturer that is highly dependent on the use of high-quality water, and securing high-quality water is very important for business activities. Therefore, we set water-related indicators as CEO ESG KPI and environmental management indicators and manage them every year. We set goals for water withdrawal intensity management, water recycling rate improvement, wastewater quality concentration management, and prevention of environmental accidents related to water quality, and as these goals are also aimed at reducing the operating costs of the company, an improvement goal is set every year, which is finalized after review by the CEO, who is the final decision maker. [Incentives] ESG KPIs are newly set on an annual basis, and all targets are set by improving from the previous year. The KPI performance is collected every year by the holding company of Lotte Group, and the performance affects the CEO's reappointment and incentives. [Future expectations] By setting and evaluating key performance indicators for the CEO for each affiliate, the ESG management of each affiliate is evaluated annually. In addition, as part of these efforts, subsidiaries can participate in DJSI and CDP to check company performance every year, so each CEO is more interested in ESG and environment-related issues, and all executives and staff members under the CEO will be able to carry out improvement activities with a will to improve water-related issues.	[Incentive performance period] The performance indicator period is managed by annual target achievement, performance, and performance against target, and the performance of all production facilities is monitored monthly, and the progress toward achieving the target is evaluated through quarterly reviews and reports by the CEO and ESG committee. [Region, classification and operation status] Our performance indicators are operated for production facilities, and we strive to manage water resources through various methods such as improving operation methods and recycling water by setting and operating water resource use reduction items for each facility every year. [Threshold (standards) for successful performance] Every year, among the performance of environmental management indicators, we announce the water withdrawal intensity target related to water resources and use the critical point to achieve the goal. As of 2022, the environmental management index performance target was set at 3.36 ton/kL in terms of water withdrawal, an improvement of 3% compared to 2021, and the performance in 2022 was 3.07 ton/kL, an 8.6% improvement from the target. [Impact of performance on incentives/rewards] Through these performance indicators for water resource management, the CEO ESG KPI performance target was achieved, which will be reflected in the CEO's evaluation and will affect CEO incentives and reappointment.
Non-monetary reward	Please select	Please select		

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, direct engagement with policy makers

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

In order to consistently maintain direct and indirect engagement activities and efforts to implement our water-related policies, Lotte Chilsung Beverage, with the ESG team as the main agent, identify opportunities and risks that water-related issues can have on Lotte Chilsung Beverage, establish company-wide strategies and goals for efficient water resource management, and prepare and manage to effectively respond to water-related risks such as supply chain, production, R&D, and sales in connection with mid- to long-term company-wide strategies. In this way, through cooperation between the ESG team and ESG working-level departments, Lotte Chilsung Beverage derives major management items through reviews, discussions, and feedback from related departments throughout company operation, and this process is continuously implemented and monitored in connection with internal strategies and external disclosures. In addition, in cooperation with the ESG team and related departments, when there is an engagement activity related to water strategy, we promote water strategy in close cooperation with policy makers, local stakeholders, business people, and Lotte affiliates.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

No, but we plan to do so in the next two years

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	5-10	<p>[How water-related issues were integrated]</p> <p>Water is the most important ingredient in the production of our products, and water availability and water quality management in the future is critical to our long-term business goals in order to grow our business in a sustainable way, improving efficiency and dependence on water use. Water-related issues do not occur in the short term and temporarily, and we set a long-term business goal by 2030 to advance water resource management so that water risks do not affect the company through water management and risk/opportunity identification.</p> <p>Excessive water use due to continuous production activities, weak water management, deterioration of water quality and water shortage due to climate change may become a major problem for our business activities.</p> <p>To address water stress, we have set long-term business goals for water management to ensure water management, business growth and diversification. These long-term goals will establish a water management strategy in conjunction with other ESG management declarations, reflect them in the financial plan, continue to execute technology research and investment, and plan to prepare an integrated solution and apply it to the company. Our long-term business goal is to increase the recycling rate of water used in production facilities to 20% by 2030.</p>
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	11-15	<p>Our long-term business goal is to increase the recycling rate of water used in production facilities, which will be of great help in improving long-term water use efficiency and dependence for more than 10 years. To achieve these long-term business goals, we disclose and implement the following long-term goal achievement strategies.</p> <p>We reduce the use of water resources by fully considering the environmental and economic aspects of water resources throughout our business activities, and are constantly conducting research and development so that the used water resources can be reused without being discarded as much as possible.</p> <p>In addition, we establish risk response plans for production facilities with high water resource risks and actively strive to improve customer safety and water resource use.</p> <p>We prepare a sustainable and safe water resource supply source by preparing measures to secure alternative water resources such as rainwater utilization, seawater desalination, sewage reuse, and water demand management through the use of natural resources and application of technology, and we plan to prepare a joint implementation plan to reduce water use and build an efficient water resource management system based on a cooperative system with partners for supply chain management.</p>
Financial planning	No, water-related issues were reviewed but not considered as strategically relevant/significant	11-15	<p>Water is the most important ingredient in the production of Lotte Chilsung Beverage, and water availability and quality management in the future have a significant impact on our financial plans and future capital investment plans.</p> <p>We do not think that water-related risks due to water pollution and water shortage will occur unless rapid climate change occurs within the next 10 years. Therefore, we are reviewing issues by analyzing water-related risks, etc., but it has not yet been identified as a matter of strategic importance to be reflected in the financial plan.</p> <p>However, we plan to analyze water-related issues every year, identify water risks, analyze water-related issues that may occur rapidly in the short term, and continue to monitor financial plans by reflecting our business goals and achievement strategies.</p>

W7.2

(W7.2) What is the trend in your organization’s water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

2.87

Anticipated forward trend for CAPEX (+/- % change)

3.87

Water-related OPEX (+/- % change)

6.09

Anticipated forward trend for OPEX (+/- % change)

7.09

Please explain

Water-related CAPEX (drainage restoration, sewage replacements, treatment plant improvements, etc.) accounting for 2.87% of the total construction costs in 2022 were not significant due to economies of scale and previous spending in compliance with regulations. As facility maintenance is currently ongoing with no water-related issues that may arise in the short term, we expect the increase in CAPEX to be similar to previous year or by 1%.

Water-related OPEX (permit renewals, water protection and testing, treatment, maintenance, consulting, disposal, etc.) accounting for 6.09% of the total costs in 2022 were not significant due to past spending to meet requirements and regulations. Currently, we respond to and manage our sites above legal standards. In the short-term, water-related OPEX is expected to remain similar to current level or increase by 1%, but long term costs may include other restoration, facility replacement, water quality, and rising fees.

W7.3

(W7.3) Does your organization use scenario analysis to inform its business strategy?

	Use of scenario analysis	Comment
Row 1	Yes	<p>We conducted a water risk assessment based on 11 production facilities located nationwide using the WRI AQUEDUCT tool as a tool to identify water stress in 2022. WRI AQUECDUT provides information such as water stress and drought based on future changes in quantity and quality, and provides detailed information on water stress in the area where each production facility is located based on location information. By adding the water stress of the BAU (baseline) of the WRI AQUECDUCT Tool and the evaluation of the water stress in 2040, the region where the company’s production facilities are located was evaluated by setting the water stress to high, medium, and low.</p> <p>We actively utilizes water risk assessment during corporate management agenda decisions, such as mergers and acquisitions, facility expansion and closure, and are planning to use it as a basis for internal and external evaluations, such as determining the location of facilities and watershed management to secure water sources.</p>

W7.3a

(W7.3a) Provide details of the scenario analysis, what water-related outcomes were identified, and how they have influenced your organization's business strategy.

	Type of scenario analysis used	Parameters, assumptions, analytical choices	Description of possible water-related outcomes	Influence on business strategy
Row 1	Water-related	[Parameter] Check all Lotte Chilsung Beverage operation sites and 4 sites with high water risk (Anseong Plant, Anseong 2nd Plant, Gwangju Plant, Gunsan Plant) [Period] 2040 (future) scenario (Pessimistic) [Unit of measure] Absolute value and relative to baseline [Change indicators] Water demand, water shortage and flood risk	We conducted a water risk assessment based on 11 production facilities located nationwide using the WRI AQUEDUCT Tool as a tool to identify water stress in 2022. The WRI AQUEDUCT Tool provides information such as water stress and drought based on future changes in quantity and quality, and provides detailed information on water stress in the area where each production facility is located based on location information. By adding the water stress of the BAU (baseline) of the WRI AQUEDUCT Tool and the evaluation of the water stress in 2040, the region where the company's production facilities are located was evaluated, and the water stress was set to high, medium, and low. As a result, the plants with low water risk were found to be Opo, Gangneung, and Chungju 1st and 2nd Plants, the plants with medium water risk were Gyeongsan, Yangsan, and Daejeon Plants, and the plants with high water risk were Anseong, Anseong 2nd, Gunsan, and Gwangju Plants. Based on these evaluation results, we used them as basis data for water risk management and water strategy preparation, which include a fact-finding survey of the region, deriving risks/opportunities, and establishing financial impacts and response plans.	As the long-term business goal of Lotte Chilsung Beverage is to increase the recycling rate of water used in production facilities, we disclose and implement the following long-term goal achievement strategies to achieve these long-term business goals. We reduce the use of water resources by fully considering the environmental and economic aspects of water resources throughout our business activities, and are constantly conducting research and development so that the used water resources can be reused without being discarded as much as possible. In addition, we establish risk response plans for production facilities with high water resource risks and actively strive to improve customer safety and water resource use. We prepare a sustainable and safe water resource supply source by preparing measures to secure alternative water resources such as rainwater utilization, seawater desalination, sewage reuse, and water demand management through the use of natural resources and application of technology, and plan to prepare a joint implementation plan to reduce water use and build an efficient water resource management system based on a cooperative system with partners for supply chain management. Through this, we establish a water resource management system to minimize the impact of our business activities on the environment, and implement strategies to efficiently operate and manage water resources through risk management.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

Lotte Chilsung Beverage, as a water resource consuming company, operates with beverage and liquor products, showing high dependence on water resources. As a tool used in all facilities and processes, including production facilities, wastewater treatment costs and basic unit costs, and production facilities, costs to maintain product productivity and quality, including water withdrawal, effluent, product water and transportation costs, treatment costs, cleaning costs, maintenance costs, etc., will be included in the water price system. We are considering using an internal water pricing system by recognizing the social and environmental costs and benefits of water and using an internal water cost calculation model that calculates potential water-related costs such as water, energy, and maintenance used in the production process.

W7.5

(W7.5) Do you classify any of your current products and/or services as low water impact?

	Products and/or services classified as low water impact	Definition used to classify low water impact	Primary reason for not classifying any of your current products and/or services as low water impact	Please explain
Row 1	Yes	Lotte Chilsung Beverage is a company that produces products using water, and there is no product that is less affected by water in the production-related value chain. However, the process of transporting and distributing products during service has little impact on water. Within the distribution network that transports, distributes, and sells finished products, it is judged that the impact on water is small because they are all transported by vehicle.	<Not Applicable>	As Lotte Chilsung Beverage operates beverage and liquor businesses, water is the most basic and important raw material. Product manufacturing is impossible without a continuous supply of sufficient and high-quality fresh water, which is important, and the fresh water must be of high quality for use in beverage manufacturing. In addition, fresh water consumption is high as fresh water must be used for cleaning, heating and cooling of the manufacturing process in the production facility. Therefore, Lotte Chilsung Beverage's product production is highly dependent on water.

W8. Targets

W8.1

(W8.1) Do you have any water-related targets?

Yes

W8.1a

(W8.1a) Indicate whether you have targets relating to water pollution, water withdrawals, WASH, or other water-related categories.

	Target set in this category	Please explain
Water pollution	Yes	<Not Applicable>
Water withdrawals	Yes	<Not Applicable>
Water, Sanitation, and Hygiene (WASH) services	Yes	<Not Applicable>
Other	Please select	<Not Applicable>

W8.1b

(W8.1b) Provide details of your water-related targets and the progress made.

Target reference number

Target 1

Category of target

Water withdrawals

Target coverage

Company-wide (direct operations only)

Quantitative metric

Increase in water use met through recycling/reuse

Year target was set

2022

Base year

2020

Base year figure

482.6

Target year

2030

Target year figure

579.12

Reporting year figure

502.08

% of target achieved relative to base year

20.1823456278491

Target status in reporting year

Underway

Please explain

Lotte Chilsung Beverage has set targets for improving water recycling up to 2030. The target metric is in ML/year.

As a company that consumes water in the production of beverages and liquor, Lotte Chilsung Beverage sets targets to recycle/reuse water for efficient water use by reducing the amount of water used and discharged in the production process in addition to the water utilized as produced water. Based on the current amount of water recycled in 2020, we aim to improve the level of recycling by 20% by 2030, which will require not only internal reduction efforts but also securing alternative water resources.

Ultimately, we aim to reduce the amount of water withdrawn and discharged through the improvement in the level of recycled/reused water. We will continuously increase water usage efficiency in product production facilities so that water resources.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

Yes

W9.1a

(W9.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module	Data verified	Verification standard	Please explain
W1 Current state	Water withdrawals, water discharges, recycled/reused water, water quality and monitoring system (measurement method and frequency)	AA1000AS	Lotte Chilsung Beverage has been limitedly verified and guaranteed by BSI, a third-party verification company, for all water data recorded in CDP Water, including Water withdrawals, water discharges, recycled/reused water, water quality and monitoring system. All data in the Sustainability Report have been verified through third-party verification. Our limited assurance audits were conducted in accordance with AA1000AS and relevant international standards for sustainability reporting.
W3 Procedures	Risk management methods and performance measurement methods for pollutants	AA1000AS	Lotte Chilsung Beverage has been limitedly verified and guaranteed by BSI, a third-party verification company, for all water data recorded in CDP Water, including Water withdrawals, water discharges, recycled/reused water, water quality and monitoring system.
W4 Risks and opportunities	Risk and opportunity identification management methods, workplaces exposed to water risks	AA1000AS	Lotte Chilsung Beverage has been limitedly verified and guaranteed by BSI, a third-party verification company, for all water data recorded in CDP Water, including Water withdrawals, water discharges, recycled/reused water, water quality and monitoring system. All data in the Sustainability Report have been verified through third-party verification. Our limited assurance audits were conducted in accordance with AA1000AS and relevant international standards for sustainability reporting.
W6 Governance	Water-related policies, water-related KPI targets, performance indicators and performance	AA1000AS	Lotte Chilsung Beverage has been limitedly verified and guaranteed by BSI, a third-party verification company, for all water data recorded in CDP Water, including Water withdrawals, water discharges, recycled/reused water, water quality and monitoring system. All data in the Sustainability Report have been verified through third-party verification. Our limited assurance audits were conducted in accordance with AA1000AS and relevant international standards for sustainability reporting.
W7 Strategy	Results of business strategy goals, capital expenditures, and scenario analysis	AA1000AS	Lotte Chilsung Beverage has been limitedly verified and guaranteed by BSI, a third-party verification company, for all water data recorded in CDP Water, including Water withdrawals, water discharges, recycled/reused water, water quality and monitoring system.
W8 Targets	water-related goals	AA1000AS	Lotte Chilsung Beverage has been limitedly verified and guaranteed by BSI, a third-party verification company, for all water data recorded in CDP Water, including Water withdrawals, water discharges, recycled/reused water, water quality and monitoring system. All data in the Sustainability Report have been verified through third-party verification. Our limited assurance audits were conducted in accordance with AA1000AS and relevant international standards for sustainability reporting.

W10. Plastics

W10.1

(W10.1) Have you mapped where in your value chain plastics are used and/or produced?

	Plastics mapping	Value chain stage	Please explain
Row 1	Yes	Direct operations	Lotte Chilsung Beverage operates in the beverage and liquor manufacturing business and uses plastics mainly as containers for beverages and liquors and films for packaging in the manufacturing process of its products. The use of plastics is mainly concurrent with the production of products at the 11 business sites where production facilities are located. Our cost of purchasing plastics (bottles and films) is constituting approximately 16.2% of our total cost on packaging materials. We recognize the seriousness of plastics as a waste resource that causes adverse environmental impacts and are continuously striving to build a circular economy for plastics by reducing and resourcing its use. We will continue to monitor our performance on plastic use and implement further reduction efforts.

W10.2

(W10.2) Across your value chain, have you assessed the potential environmental and human health impacts of your use and/or production of plastics?

	Impact assessment	Value chain stage	Please explain
Row 1	Yes	Product use phase	As a company that uses plastic as containers for its products, Lotte Chilsung Beverage recognizes, understands, and evaluates the negative impact of plastic on the environment. Plastic bottles are disposed of after consumers use them, but it takes 500 years for the single use plastic to disappear. We discharged 99,952 tons of packaging waste in 2022, of which 55,457 tons of plastic was emitted, accounting for 55% of the total packaging material emissions. Therefore, we are conducting research and development to reduce the use of plastics and replace them with eco-friendly materials - step by step - from design to production, use, and disposal. To reduce the amount of plastic used in production, we have been initiating lightweighting of plastic bottles since 2010. Naturally, by lightweighting the bottles, the level of plastic disposed decreases. In addition, we have signed a business agreement for transparent plastic bottles so that plastic can be separately discharged and recycled when they are used. Also, we are working to inform people about the correct way to discharge plastic bottles and to establish a resource recycling system by creating a plastic bottle collection system. In addition, we are conducting research and development to resource plastic by producing rPET products using waste plastic at the design stage of plastic products. And in March 2022, we launched the first M-rPET (Mechanically-recycled PET) product, ISIS 8.0 ECO 1.5L, in the domestic beverage industry. As such, we are evaluating and identifying the potential environmental impact of plastics at each stage, and will continue to work with R&D and the stakeholders to reduce the use of plastics and utilize eco-friendly alternative materials.

W10.3

(W10.3) Across your value chain, are you exposed to plastics-related risks with the potential to have a substantive financial or strategic impact on your business? If so, provide details.

	Risk exposure	Value chain stage	Type of risk	Please explain
Row 1	Yes	Direct operations	Regulatory	<p>Lotte Chilsung Beverage uses plastic as a container for beverages and alcoholic beverages in the production process. The potential environmental pollution caused by plastics is increasingly getting more spotlight globally, with Korea also aiming to implement a system to strengthen regulations on plastic use. In 2022, the Korean government announced a full-cycle de-plasticization plan, and government regulations on plastics will continue to strengthen in the future.</p> <p>As a beverage manufacturing company which is considered a plastic-consuming, and we expect our operating and manufacturing costs to increase significantly if regulations on plastics are strengthened.</p> <p>Regarding immediate government regulations, depending on the recycling grade of plastics, we are required to pay additional recycling contributions if the recycling grade is "difficult." We pay a recycling contributions annually, and we expect our regulatory costs to increase further in the future as the government strengthens its plastic regulations.</p> <p>As a food and beverage manufacturer for which plastic containers are included as part of food containers, we cannot arbitrarily develop and utilize alternative materials. We will strive to reduce plastic use and lower plastic risk through joint R&D and product application in line with government regulations and policies.</p>

W10.4

(W10.4) Do you have plastics-related targets, and if so what type?

	Targets in place	Target type	Target metric	Please explain
Row 1	Yes	Plastic packaging	<p>Reduce the total weight of plastic packaging used and/or produced</p> <p>Reduce the total weight of virgin content in plastic packaging</p> <p>Increase the proportion of post-consumer recycled content in plastic packaging</p> <p>Increase the proportion of renewable content from responsibly managed sources in plastic packaging</p> <p>Increase the proportion of plastic packaging that is compostable</p>	<p>Lotte Chilsung Beverage strives to establish a resource circulation system by comprehensively monitoring internal and external corporate trends and government regulations. With the goal of expanding sustainable eco-friendly packaging regarding plastic bottle and packaging waste generated from our products, we strive to minimize the environmental impact by establishing a virtuous cycle of resources.</p> <p>Our plastic reduction roadmap sets short-, medium-, and long-term goals in line with government policy directions.</p> <p>In detail, we aim to establish a plastic reduction roadmap for the future:</p> <ol style="list-style-type: none"> 1. Promote product light weighting and enhance competitiveness in the short term (~2025), 2. Expand plastic products using renewable raw materials and develop/apply alternative materials in the medium term (~2030), 3. Achieve zero plastic in the long term (~2050). <p>Our reduction strategies include 1) reducing plastic emissions, 2) expanding the use of plastics made from renewable materials, 3) improving the ease of recycling, and 4) expanding activities to raise awareness of resource circulation.</p> <p>We are currently in the review stage to set realistic plastic reduction targets and plan to set qualitative and quantitative reduction targets for each stage and implement reduction efforts.</p>

W10.5

(W10.5) Indicate whether your organization engages in the following activities.

	Activity applies	Comment
Production of plastic polymers	No	
Production of durable plastic components	No	
Production / commercialization of durable plastic goods (including mixed materials)	No	
Production / commercialization of plastic packaging	No	
Production of goods packaged in plastics	Yes	Lotte Chilsung Beverage operates a beverage and liquor manufacturing business and uses plastics mainly as containers and films for beverages and liquor packaging in the manufacturing process of its products.
Provision / commercialization of services or goods that use plastic packaging (e.g., retail and food services)	No	

W10.8

(W10.8) Provide the total weight of plastic packaging sold and/or used, and indicate the raw material content.

	Total weight of plastic packaging sold / used during the reporting year (Metric tonnes)	Raw material content percentages available to report	% virgin fossil-based content	% virgin renewable content	% post-industrial recycled content	% post-consumer recycled content	Please explain
Plastic packaging sold	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Plastic packaging used	55457	% virgin renewable content	<Not Applicable>	0.05	<Not Applicable>	<Not Applicable>	<p>Lotte Chilsung Beverage is committed to reducing the total raw material and content of plastic packaging by reducing plastic emissions and recycling plastic waste. To reduce the plastic waste generated by our products, we have been continuously researching, testing, and applying lightweight technologies to our products since 2010. In addition to introducing eco-tabs & eco-cutting lines, we launched Korea's first label-free bottled water to promote recycling and separate emissions at disposal, and launched r-PET products that utilize recycled raw materials by recovering the waste materials. We reduced virgin plastic emissions by lightening bottles and expanded production of r-PET products by utilizing product waste as renewable raw materials. We plan to continue to secure raw materials for mechanically recycled PET (M-rPET) and chemically recycled PET (C-rPET) for application after quality verification, and to expand the level of renewable raw materials through our R&D.</p>

W10.8a

(W10.8a) Indicate the circularity potential of the plastic packaging you sold and/or used.

	Percentages available to report for circularity potential	% of plastic packaging that is reusable	% of plastic packaging that is technically recyclable	% of plastic packaging that is recyclable in practice at scale	Please explain
Plastic packaging sold	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Plastic packaging used	% technically recyclable	<Not Applicable>	100	<Not Applicable>	Lotte Chilsung Beverage strives to reduce plastic emissions and recycle waste plastics to build a plastic resource circulation process through production-consumption-disposal-recovery-recycling. During recycling, most of the plastics we use are 100% recyclable through separate streams, provided they meet food container standards. Mechanical recycling (M-rPET) cannot be recycled indefinitely as it becomes less durable from deformation after a few cycles during the technical process, but chemical recycling (C-rPET) can be converted into virgin plastic that can be recycled indefinitely because its molecular structure does not change. We are working on commercialization of C-rPET through government, manufacturers, and R&D. Although this may take time, we will strive to ensure that 100% of the plastics used will be recycled in accordance with our mid to long-term target.

W11. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

CDP Water Security verification statement, Lotte Chilsung Beverage 2022 Sustainability Report
 2023 CDP Water Security_Verification Statement_ENG.pdf
 Lotte Chilsung Beverage 2022 Sustainability Report.pdf

W11.1

(W11.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	Chief Executive Officer (CEO)	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please indicate your consent for CDP to share contact details with the Pacific Institute to support content for its Water Action Hub website.

Yes, CDP may share our Main User contact details with the Pacific Institute

Please confirm below

I have read and accept the applicable Terms