

2023 Lotte Chilsung Beverage  
**Human Rights Impact Assessment Report**

This report is the result of the research service agency(KSA),  
It might be different from Lotte Chilsung Beverage's opinion

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# I. Key Considerations

## Procedural Validity

- Ensure the independence and objectivity of assessment results by involving external human rights experts in the assessment process.
- Enhance the reliability of assessment results by engaging Lotte Chilsung Beverage stakeholders (internal assessment, in-depth interviews, and internal review of assessment results) in the assessment process, including development of assessment indicators.
- Ensure expertise and internal consistency by involving internal experts from the human rights management department and relevant departments in the impact assessment.
- Conduct an employee survey to comprehensively evaluate the effectiveness of human rights policy, the implementation system, and remedial procedures.

## Equality and Non-discrimination

- Assess the impact of human rights policy, the implementation system, and practices from an anti-discrimination perspective.
- Propose improvement measures in a proactive effort to achieve equality

## Effectiveness

- Focus on identifying actual and potential factors of human rights violations.
- Integrate assessment results with victim remedial procedures.

## Comprehensiveness

- Apply the universal and comprehensive human rights issues covered in the UN Guiding Principles (UNGPs) on Business and Human Rights to the assessment indicators.
- Incorporate human rights issues (such as COVID-19 and workplace harassment prohibition) that have emerged since the National Human Rights Commission of Korea (NHRCK) recommended the application of the Human Rights Management Manual for State-Owned Enterprises (SOEs) in 2018 into the assessment process.
- Considering business characteristics, include the 8 human rights issues in the food and agriculture sector identified by the Corporate Human Rights Benchmark (CHRB), the 10 human rights issues in the food and agriculture sector identified by Business for Social Responsibility (BSR), and human rights issues closely associated with company activities and business relationships within the scope of assessment (worker safety, health, and the right to life; non-discrimination and equality-related issues and risks; child labor; forced labor of migrant workers; freedom of association; water accessibility; environmental pollution and wastewater; working hours; healthy lifestyle habits; land rights; product safety and quality; human rights issues related to sponsorship\*; and personal data protection.

\*Approach this issue from the standpoint of responsible supply chain management instead of directly addressing it

# II. Overview

## A. Review of Human Rights Due Diligence System

Review Criteria	Details
UN Guiding Principles (UNGPs) on Business and Human Rights	<ul style="list-style-type: none"> <li>• Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, 2011</li> </ul>
UNGPs Benchmarks (Global)	<ul style="list-style-type: none"> <li>• CHRB Core UNGP Indicator Assessment (CHRB, 2019)</li> <li>• UNGPs Reporting Framework (Shift/Mazars, 2015)</li> <li>• Due Diligence Guidance for Responsible Business Conduct (OECD, 2018)</li> <li>• 10 Human Rights Issues in the Food and Agriculture Sector identified by Business for Social Responsibility (BSR)</li> <li>• Human rights issues covered in Coca-Cola's human rights policy</li> </ul>
UNGPs Benchmarks (Korea)	<ul style="list-style-type: none"> <li>• Human Rights Management Manual for SOEs (NHRCK, 2018)</li> <li>• Human Rights Management Guidelines and Checklist (NHRCK, 2022)</li> <li>• Guidelines on Business and Human Rights (Ministry of Justice, 2021)</li> </ul>

## II. Overview

### B. Corporate Human Rights Impact Assessment Practices

In reference to the Human Rights Management Manual for State-Owned Enterprises (NHRCK), additional items have been included or excluded to accurately reflect the business situation of Lotte Chilsung Beverage.

Category	Lotte Chilsung Beverage		NHRCK Manual	
	Item	Indicators	Item	Indicators
Establishment of a human rights management system	Declaration of human rights policy	17	Declaration of human rights policy	30
	Conducting regular human rights impact assessments		Conducting regular human rights impact assessments	
	Necessary measures for institutionalizing human rights management		Necessary measures for institutionalizing human rights management	
	Achievements in human rights management		Achievements in human rights management	
	Establishment of remedial procedures		Establishment of remedial procedures	
Non-discrimination in employment	Non-discrimination in employment	8	Non-discrimination in employment	17
	Proactive measures for equality		Non-discrimination in employment based on gender	
			Non-discrimination against non-regular workers	
			Non-discrimination against foreign workers	
Protection of freedom of association and collective bargaining	Freedom of association and collective bargaining rights	10	Freedom of association and collective bargaining rights	16
	Prohibition of adverse treatment for trade union activities		Prohibition of adverse treatment for trade union activities	
	Guaranteeing collective bargaining and ensuring faithful implementation		Guaranteeing collective bargaining and ensuring faithful implementation	
			Alternative measures in the absence of trade unions	
Prohibition of forced labor	Prohibition of forced labor	4	Prohibition of forced labor	11
			Prevention of forced labor by affiliates and suppliers	
Prohibition of child labor		3	Prohibition of the employment of minors	14
			Measures in cases of discovering employment of minors	

## II. Overview

Category	Lotte Chilsung Beverage		NHRCK Manual	
	Item	Indicators	Item	Indicators
Ensuring industrial safety	Workplace safety	25	Workplace safety	17
	Protection of pregnant women and persons with disabilities		Protection of pregnant women and persons with disabilities	
	Prevention of workplace violence and harassment		Provision of essential equipment and training	
			Support for workers affected by industrial accidents	
Responsible supply chain management	Prevention of human rights violations by suppliers	7	Prevention of human rights violations by suppliers	10
			Implementation of monitoring	
	Prevention of human rights violations by security personnel		Prevention of human rights violations by security personnel	
Protection of the human rights of local residents		-	Respect and protection of the human rights of local residents	10
			Protection of the intellectual property rights of local residents	
Ensuring environmental rights	Establishment and maintenance of an environmental management system	9	Establishment and maintenance of an environmental management system	18
	Disclosure of environmental information		Disclosure of environmental information	
			Principle of a preventive approach to environmental issues	
			Development of emergency plans	
Protection of consumer rights	Compliance with laws for consumer protection	19	Compliance with laws for consumer protection	15
	Actions in cases of product defects		Actions in cases of product defects	
	Protection of consumer privacy		Protection of consumer privacy	
	Protection of intellectual property rights			
8	23	102	33	158

Note 1: The company utilized indicators provided in the Human Rights Management Manual for State-Owned Enterprises (NHRCK, 2018).

Note 2: The company consulted "Human Rights Due Diligence and COVID-19: a rapid self-assessment for business" (B&HR/UNDP, 2020).

Note 3: The company incorporated the Violence and Harassment Convention (ILO, 2019).

## II. Overview

### C. Supply Chain Human Rights Due Diligence Practices

No.	Item	Indicators	Remarks
1	Establishment of a human rights due diligence system	5	• Incorporating UNGPs human rights due diligence guidelines
2	Prevention of forced labor in the supply chain	3	• Addressing human rights issues closely related to company activities and business relationships in the supply chain
3	Effective eradication of child labor in the supply chain	7	
4	Non-discrimination against foreign workers	2	
Total	4	17	

### D. Human Rights Survey

Category	Description
Company's efforts for respecting human rights	<ul style="list-style-type: none"> <li>• Level of perceived protection of human rights by employees</li> <li>• Awareness and understanding of the company's human rights policy among employees</li> <li>• Company's efforts in communicating its human rights policy</li> </ul>
Direction for internalizing a culture of respect for human rights	<ul style="list-style-type: none"> <li>• Priorities for establishing a culture of respect for human rights</li> <li>• Priorities for establishing and implementing a human rights management system</li> <li>• Priorities for enhancing the effectiveness of preventive and remedial procedures for human rights violations</li> </ul>
Key human rights issues in the company	<ul style="list-style-type: none"> <li>• Major human rights issues that the company needs to consider</li> <li>• Likelihood of human rights violations associated with each major human rights issue</li> <li>• Degree of negative impact in case of human rights violations related to each issue</li> </ul>



# III. Assessment Results

## Strategic Goals

### Enhancing the Effectiveness of the Human Rights Policy and Promoting Communication

No.	Strategic Tasks	Current Status and Practices	Implementation Directions
①	<p><b>Strengthening the CEO's message on human rights management</b></p>	<ul style="list-style-type: none"> <li>• According to the 2023 Human Rights Survey, the most important factors for establishing a culture of respect for human rights are "promoting communication of the human rights policy (38.95%)" and "improving workplace harassment (33.78%)."</li> <li>• According to the 2023 Human Rights Survey, the most important factors for establishing and implementing a human rights management system are management's attention and direction (33.87%) and regular monitoring (19.89%).</li> </ul>	<ul style="list-style-type: none"> <li>• Increase messages from management expressing their commitment to promoting human rights management and integrate these messages into the company's functions and processes (e.g., assigning an executive responsible for human rights issues, providing incentives based on human rights performance, and imposing responsibility in case of human rights violations).</li> </ul>
②	<p><b>Promoting internal communication</b></p>	<ul style="list-style-type: none"> <li>• According to the 2023 Human Rights Survey, 62% of respondents expressed a negative response regarding the awareness and understanding of the company's human rights policy.</li> <li>• In the 2023 Human Rights Survey, 57% of respondents stated that the provision of human rights training by the company, beyond statutory mandatory training, is inadequate, and 28.5% expressed dissatisfaction with the fulfillment of human rights training.</li> <li>• The company provides human rights training content consisting of statutory mandatory training and education on social values and human rights to employees, including dispatched employees. However, the lack of education on the human rights policy leads to a lack of communication within the departments related to the human rights policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve internal communication by incorporating the company's human rights policy, implementation system, and remedial procedures into the content of human rights training for employees.</li> </ul>

### III. Assessment Results

#### Strategic Goals

#### Enhancing the Effectiveness of the Human Rights Policy and Promoting Communication

No.	Strategic Tasks	Current Status and Practices	Implementation Directions
③	<p><b>Promoting external communication</b></p>	<ul style="list-style-type: none"> <li>• The company communicates its human rights policy and Supplier Code of Conduct through publicly accessible channels such as the company website and sustainability reports. However, they are only available in Korean, and there are no mechanisms in place during the procurement process to clearly communicate compliance requirements to contractual counterparts. This makes it difficult to expect integrated responsibility for human rights protection in the procurement process.</li> <li>• The company's Human Rights Charter emphasizes efforts for shared growth with suppliers and support for implementing and coordinating human rights management. However, it does not explicitly demand compliance with human rights protection from partners, including suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide the company's human rights policy in the local languages of various regions where the company operates on the company's website and post the English version of the United Nations Global Compact Communication on Progress (COP) to overcome language barriers.</li> <li>• Establish mechanisms to clearly communicate the company's expectations for compliance with the Supplier Code of Conduct to contractual counterparts (e.g., referring to the Integrity Pledge).</li> <li>• Explicitly state the responsibility for human rights protection by partners, including suppliers, in the Human Rights Charter.</li> </ul>
④	<p><b>Expanding stakeholder engagement</b></p>	<ul style="list-style-type: none"> <li>• The process of formulating and establishing the human rights policy and implementation rules inadequately reflects the company's key human rights issues and the involvement of external experts. This makes it difficult to expect the effectiveness of policy and implementation directions.</li> <li>• There is a lack of substantial participation from external stakeholder groups that are expected to be negatively affected in terms of human rights by the company's activities in the process of identifying and assessing human rights risks and negative impacts.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the human rights policy based on the 2023 Human Rights Impact Assessment results and enhance policy effectiveness by including external experts and stakeholder input in the review process.</li> <li>• Foster communication channels with groups that are expected to be negatively impacted by the company's activities in terms of human rights, including regular consultations with:               <ul style="list-style-type: none"> <li>- Internal stakeholders (e.g., female workers, non-regular and non-affiliated employees, local workers at overseas facilities).</li> <li>- External stakeholders (e.g., suppliers and their workers, consumer groups).</li> </ul> </li> </ul>

### III. Assessment Results

#### Strategic Goals

#### Strengthening the Human Rights Due Diligence System through Institutional Improvements

No.	Strategic Tasks	Current Status and Practices	Implementation Directions
⑤	<p><b>Enhancing human rights policy implementation rules and measures</b></p>	<ul style="list-style-type: none"> <li>• The company lacks a clear basis for conducting prior identification and assessment of human rights risks and negative impacts.</li> <li>• Although the company intends to carry out human rights impact assessments and gradually expand the scope of assessment, it lacks specific step-by-step goals.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish implementation rules to ensure the completeness of the human rights management system, such as "declaration-agreement-implementation measures" (or supplementing the ESG Committee regulations).</li> <li>• Specify the procedure for prior identification and assessment of human rights risks and negative impacts in the implementation rules to establish a basis for uninterrupted implementation.</li> <li>• Set and publicly disclose step-by-step goals that commit to gradually expanding the scope of identifying and assessing human rights impacts in overseas facilities and supply chains, including China, the Philippines, Myanmar, and Pakistan.</li> </ul>
⑥	<p><b>Strengthening the implementation mechanism for human rights due diligence in the supply chain</b></p>	<ul style="list-style-type: none"> <li>• The company has established the Supplier Code of Conduct as the human rights policy for the supply chain, and conducts a "Supplier ESG Evaluation" to monitor compliance. However, there is a lack of coherence between the policy and the monitoring mechanism, and there is no channel to communicate the supply chain human rights policy to contractual counterparts during the contract phase.</li> <li>• Furthermore, there is a possibility of human rights infringements by the supply chain due to the absence of mechanisms to prevent contract provisions and practices that may undermine the working conditions of supply chain workers.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement procedures to clearly explain the Supplier Code of Conduct to contractual counterparts during the contract phase and supplement indicators that allow the assessment of supply chain human rights policy compliance in the "Supplier ESG Evaluation" process.</li> <li>• Make compliance with the company's human rights policy a condition for contract performance during the contract negotiation phase with trading companies and individuals, and request a documented pledge of compliance.</li> </ul>

# III. Assessment Results

## Strategic Goals

### Improving the Effectiveness of Remedial Procedures

No.	Strategic Tasks	Current Status and Practices	Implementation Directions
⑦	<p><b>Regular evaluation of the validity of remedial procedures</b></p>	<ul style="list-style-type: none"> <li>• Efforts are underway to establish mechanisms for the systematic operation of remedial procedures, including the appointment of external committee members and expert participation to ensure fairness and expertise. However, there is a lack of channels to listen to the opinions of users of the remedial procedures and incorporate them into the remedial system.</li> <li>• According to the 2023 Human Rights Survey, the most important factors for addressing workplace harassment, including sexual harassment, are improving organizational culture and negative practices (39.3%), followed by conducting fair investigations and punishing perpetrators (25.9%).</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct regular surveys to evaluate the validity (accessibility, fairness, expertise, effectiveness) of the complaint handling process provided by the company and gather user feedback.</li> <li>• Refer to the "Investigation and Remedy Rules for Human Rights Violations and Discrimination" by the National Human Rights Commission of Korea to enhance victim protection measures and supplement required formats in the investigation process by establishing mechanisms for urgent remedial measures and conducting investigations proactively.</li> </ul>

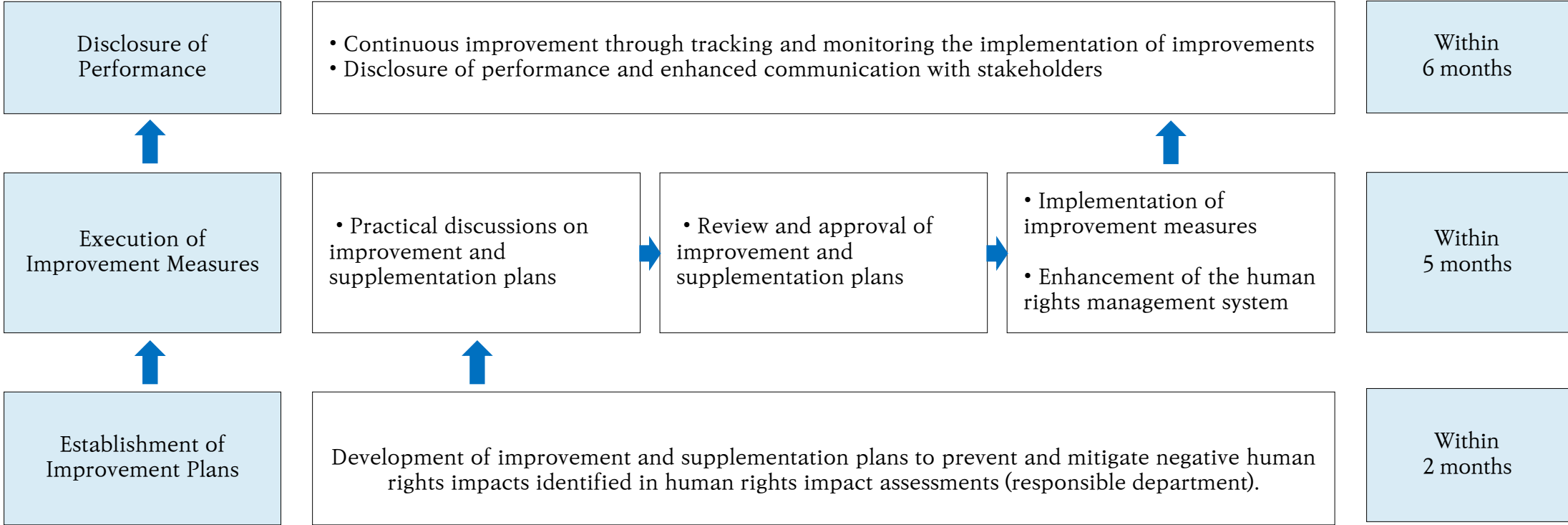
# III. Assessment Results

## Strategic Goals

## Enhanced Response to Key Human Rights Issues

No.	Strategic Tasks	Current Status and Practices	Implementation Directions
⑧	<p><b>Strengthening the prevention of harassment</b></p>	<ul style="list-style-type: none"> <li>• The policy scope for addressing sexual harassment and mistreatment in the workplace does not cover applicants in the recruitment process or retired employees, which limits victim protection.</li> <li>• According to the 2023 Human Rights Survey, the most important factors for establishing a culture of respect for human rights are improving communication of human rights policies (38.95%) and addressing workplace harassment (33.78%).</li> </ul>	<ul style="list-style-type: none"> <li>• Expand the policy on preventing workplace harassment, in line with Article 2 of the International Labour Organization (ILO) Violence and Harassment Convention (2019), to cover not only current employees but also individuals participating in the recruitment process, retired workers, and external customers, thereby enhancing victim protection.</li> <li>• Increase the focus on harassment issues in the content of human rights training provided to employees.</li> </ul>
⑨	<p><b>Enhanced measures to prevent forced labor</b></p>	<ul style="list-style-type: none"> <li>• The company expresses its commitment to prohibiting forced labor and ensuring the application and compliance with this supply chain policy.</li> <li>• However, there is a lack of internal procedures regarding the refusal and reporting of improper work orders that may lead to forced labor, as well as the prohibition of adverse consequences for non-compliance with such orders.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement measures to address improper work orders and prohibit adverse consequences for non-compliance.</li> </ul>

# IV. Utilization of Results



# V. Strategic Goals and Tasks

Strategic Goals and Tasks		Phase 1 (2023) Establishment of Foundation	Phase 2 (2024) Settlement	Phase 3 (2025) Advancement
<b>Enhancing the Effectiveness of the Human Rights Policy and Promoting Communication</b>	Strengthening the CEO's message on human rights management	◦ Expression of expectations for improvement and compliance with the human rights policy	◦ Development of plans to link responsibility and compensation	◦ Commitment to all company-wide and supply chain policies
	Promoting internal communication	◦ Creation of human rights policy training (promotional) content	◦ Integration of the human rights policy into training materials	◦ Improvement and supplementation of human rights policy training materials
	Promoting external communication	◦ Clarification of human rights compliance requirements for the supply chain (supplementation of the human rights policy)	◦ Overcoming language barriers in the human rights policy	◦ Dissemination of promotional content on the human rights policy
	Expanding stakeholder engagement	◦ Review and improvement stage of the human rights policy	◦ Establishment stage of implementation rules and remedial procedures	◦ Stage of performance verification
<b>Strengthening the Human Rights Due Diligence System through Institutional Improvements</b>	Enhancing human rights policy implementation rules and measures	◦ Improvement and supplementation of the human rights due diligence system	◦ Integration of the human rights due diligence system into ESG committee regulations	◦ Application of the human rights due diligence system to overseas operations
	Strengthening the implementation mechanism for human rights due diligence in the supply chain	◦ Reflecting the Supplier Code of Conduct in the supplier ESG evaluation indicators	◦ Development of a plan to apply the Supplier Code of Conduct to contract procedures	◦ Application of the Supplier Code of Conduct to supplier contract procedures
<b>Improving the Effectiveness of Remedial Procedures</b>	Regular evaluation of the validity of remedial procedures	◦ Establishment of validity assessment methods for remedial procedures	◦ Validity assessment of remedial procedures	◦ Continuous improvement of the effectiveness of remedial procedures
<b>Enhanced Response to Key Human Rights Issues</b>	Strengthening the prevention of harassment	◦ Expansion of the scope of the harassment prevention policy	◦ Expansion of education on harassment prevention	◦ Evaluation and improvement of harassment prevention education materials
	Enhanced measures to prevent forced labor	◦ Survey on improper work orders	◦ Establishment and implementation of procedures for handling improper work orders	◦ Evaluation and improvement of procedures for handling improper work orders