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LOTTE SHOPPING

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THINK TOMORROW

LOTTE SHOPPING

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

DJSI (Dow Jones Sustainability Indices)
Incorporated into Industry Group Leader

The Dow Jones Sustainability Indices were developed by RobecoSAM, the Switzerland Company committed to the Sustainability assessment and Investment along with Dow Jones & Company, the US-based Financial News & Information Corporation.

Lotte Shopping was selected DJSI WORLD from 2009 to 2013 and was acknowledged globally for its outstanding performance of sustainability dedication: in addition, it was appointed as the Retail Industry Group Leader (Distribution Sector Global Number 1) for four consecutive years from 2010 to 2014.

Henceforth, we will continue our dedication in communicating with our stakeholders incorporated with the comprehensive CSR management system and fulfilling our corporate social responsibility.

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Website

Lotte Department Store www.lotteshopping.com
Lotte Mart www.lottemart.com
Lotte Super www.lottesuper.co.kr
Lotte Cinema www.lottecinema.co.kr
Lotte Shopping Investor Relations www.lotteshoppingir.com



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1. Application of GRI G3.1 Guideline

2013 Lotte Shopping Sustainability Report was prepared in pursuant to Sustainability Reporting Guidelines by Global Reporting Initiative (GRI G3.1) and complied with its requirements. This report contains GRI G3.1 profile disclosures and management approach for each indicator category and GRI G3 key performance indicators based on the principle of materiality.

2. Scope of Sustainability Report

2013 Lotte Shopping Sustainability Report covers the economic, environmental and social performance of Lotte Department Store and Lotte Mart among Lotte Shopping's four business divisions ((Lotte Department Store, Lotte Mart, Lotte Super, Lotte Cinema) The report coverage extends to the headquarters and all branches of Lotte Department Store and of Lotte Mart. The company overview and financial results are based on Lotte Shopping Co., Ltd. For your information, in case of environmental and social performance, the results of overseas subsidiaries were excluded.

3. Reporting period of Sustainability Report

2013 Lotte Shopping Sustainability Report's period is from January 2012 to December 31, 2012 and based on the going concern principle, it includes a partial coverage of sustainability management activities in the first half of 2013. For Quantitative Performance data, it is presented with the most recent three years' data in order to achieve the trend analysis.

4. Assurance of Sustainability Report

All information of this report was verified by Solability, an independent outside verification agency and the verification results were included in the third party assurance section.



CEO's Message



Lotte Shopping President & CEO

Shin Heon

I would like take this opportunity to express my sincere gratitude to all of our stakeholders who show interest in Lotte Shopping and their support.

The year of 2012 was a year of exceptional challenge when the global economy remained subdued and growth of consumer market faltered. In the face of these challenges, Lotte Shopping has continuously strengthened our growth by strategically opening new stores, focused marketing strategies on accommodating customer's life style trends and overseas business expansion. In addition, we have carried out various social responsibilities in environmental, cultural and social welfare, and we have actively taken part in developing the distribution industry and strengthening mutual growth.

In recognition for these efforts, Lotte Shopping was incorporated in 2013 Dow Jones Sustainability Index (DJSI) WORLD sector for five consecutive years and four consecutive years for the world No. 1 company (the Industry Group Leader) in distribution sector. Moreover, we have reaffirmed as the world's leading Distribution Corporation by retaining the world No. 3 in department store sector by the Forbes Global 2000.

Going forward, Lotte Shopping will not compromise with the current performance but we will further strengthen the foundation of mutual growth with all stakeholders. We will devote our utmost attention to providing high quality customer services and bolstering suppliers' development by fair trade practice. We will seek out ways to develop local communities and to protect climate change which could cause a serious future threat and environmental conservation. Throughout these efforts, everyone at Lotte Shopping will uphold a leading role for creating and sharing prosperity and happiness with each and every members of society.

There is an African proverb that says: "If you want to go quickly, go alone, if you want to go far, go together." Lotte Shopping will not go alone. We will open up the hope of the future with you. With respect to striding our mutual growth path with all stakeholders, we ask for your continued interest and encouragement. Thank you.



Lotte Shopping, Lotte Mart President

Noh Byung-Yong

Lotte Mart has conducted the sustainable management to provide happiness to all its stakeholders through customer satisfaction, mutual growth and social and ethical responsible management.

With respect to the goal to become No.1 Retailer in Asia by 2018, we have been operating 104 stores based in Korea and 143 overseas stores continuously leaping towards a global distribution company.

While Lotte Mart has conducted a continuous innovation for the existing business as well as developing a future growth engine like a membership warehouse discount store “VIC Market”, we have launched new businesses including the experience-based electronics store “Digital Park”, a specialty toy stores “Toys R’ US”, opening new shops within highway rest zones and opening online shopping mall “Lotte Mart Mall”, etc. taking a major step forward by customers’ support.

Based on the customer satisfaction management, we have achieved the first in the National Customer Satisfaction Index (NCSI) for two consecutive years, certified the first distribution company for Green Management System (GMS), acquired the systematic environmental system by most certified Green Stores by the Ministry of Environment and lastly as part of our social contribution activities, recognized sincerity of social contribution activity to local communities by nationwide “Lotte Mart Happiness Sharing Volunteer Group”

Lotte Mart will share this improvement with suppliers.

Based on hope, coexistence and customer satisfaction, Lotte Mart will seek ways to strengthen the foundation for economy of scale and efficiency to become a leading company in the world.

To become the global leading company, we ask your attention and encouragement. Thank you.



Lotte Shopping, Lotte Super President,

So Jin-Se

“Leading to establish the Eco-friendly Distribution Culture”

Under our corporate slogan of “fresh products, friendly neighbors,” Lotte Super strives to provide fresher and safer products to customers. Starting 2001 for accommodating consumer’s purchase mind that focusing on reasonable consumption, Lotte Super is creating a new customer-oriented distribution culture to enable customers to shop in a closer and more convenient and pleasant environment. And we further try to vitalize the community economy by using local produced products first and hiring policy of local resident priority employment.

Moreover, we have opened the first store in Beijing, China in September last year, the first in the industry to penetrate into Chinese market; and we plan to expand overseas business in parallel with domestic market and to create the foundation for various new market development with suppliers.

In stride with mutual growth policy that becoming a social issue, we commit to reform as the mutually growing distribution company with our suppliers by spreading out the awareness of mutual growth for our employees, introducing supplier support programs, establishing fair trade environment and sound communication.

More and more stakeholders increase awareness of climate change and environment, we have made lots of effort to execute our sustainability management through applying environmental policy to management decision making procedure, increasing eco-friendly products distribution, energy saving and promoting green purchase.

Lotte Super commits to contribute to the community and to become a sustainable company that will fulfill our environmental and social responsibilities.



Lotte Shopping, Lotte Cinema President

Cha Won-Chun

“The value of Customer satisfaction and the environmental devotion is our foremost priority.”

Lotte Cinema is a global comprehensive entertainment corporation that operates movie theaters, invests in movies and distributes them.

Lotte Cinema operates its business to provide customers with special sentiments from location selection to diverse services based on humanity, nature and environmental devotion and film affection. Under the slogan “Happy Memories,” Lotte Cinema has equipped with cutting edge equipment providing comfortable viewing environment and we strive to provide beyond imaginable services to customers and to execute the faithful notion “Lotte Cinema always be with customers”. All of our employees at Lotte Cinema commit to working in harmony to respect the value of customers, to uphold the customer’s comfort and to create movie theaters with a variety of beautiful and joyous films.

Founded with exclusively domestic capital and technology, starting the first Ilsan Theater in October and 1999, Lotte Cinema Multiplex chain has continuously and relentlessly advanced with the nationwide theater network. We have established the Korea’s first “one stop entertainment” multiplex cultural space and have led theater innovations such as “Family Movie Theater” and “Multiplex closely attached to human-daily-life”. We devote to provide a different sphere of cultural space to customers as the leading multiplex player.

Lotte Cinema is striving to become the respectable global sustainable company by upholding the value of customer satisfaction and fulfilling various stakeholders’ needs.



Business Overview

Founded in 1979, Lotte Shopping was established as a department store and expanded its business scope to discount store chain (Mart), grocery store chain (Super) and movie theater chain (Cinema) to escalate into Korea’s most renowned distribution company. Currently, we expand our business presence into major global markets including China, Russia, Vietnam and Indonesia as a global distribution company.

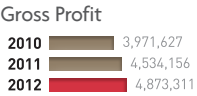
Company name: Lotte Shopping Co., Ltd.
Established date: November 15, 1979
CEO: Shin Heon
Core Business: Large-scale retail business
No. of Employees: 26,064
Capital: 145.2 Billion KRW

Business at a Glance

As of 2012, Lotte shopping continued to diversify our business scope in opening new stores including three Department Stores (Korea 2, Overseas 1), 15 Marts (Korea 8, Overseas 7), in broadening business horizon including outlet business, shopping mall business and category kill business and in reinforcing a new domestic business such as fashion brand business (developing and importing of prominent global brands). Furthermore, we have established the sound foothold to become the best distribution corporation in Korea by acquiring GS retails in 2010, CS distribution in 2011 and HiMart in 2012.

	 LOTTE DEPARTMENT STORE	 LOTTE MART		 LOTTE SUPER	 LOTTE CINEMA
Status of Market Share in Korea <small>* based on 2012 annual disclosure</small>	44.4%	14.6%		50.5%	28.6%
Established Date	November 1979	April 1998		May 2001	October 1999
Status of Stores <small>* as of December 31, 2013</small>	42 Korea 38 Overseas 4	240 Korea 103 Overseas 137		395 Korea 391 Overseas 4	105 Korea 91 Overseas 14
Lotte Shopping Sales Ratio by Business division <small>* based on 2012 Total revenues</small>	50.4%	37.0%		10.1%	2.5%
Major Products	Clothing, sundries, home appliance, furniture, jewelry, food	Food, household supplies, clothing, sundries		Food, household supplies, sundries	Film investment, distribution, screening

◆ Lotte Shopping
Key Financial Results (Unit: million KRW)





Global Business





Lotte Shopping aims to become a prominent global distribution corporation by 2018 and for that we actively expand our global market penetration. With unrivaled status in Korea and 30-year-established know how, we appointed VRIC's including Vietnam, Russia, Indonesia and China for our strategic platform countries to expand our global advancement by opening new stores and implementing mergers and acquisitions in order to achieve our prompt localization.

2012 ~ 2013 1H New Overseas Stores



VIETNAM

Cinema		4
Mart		2
		6

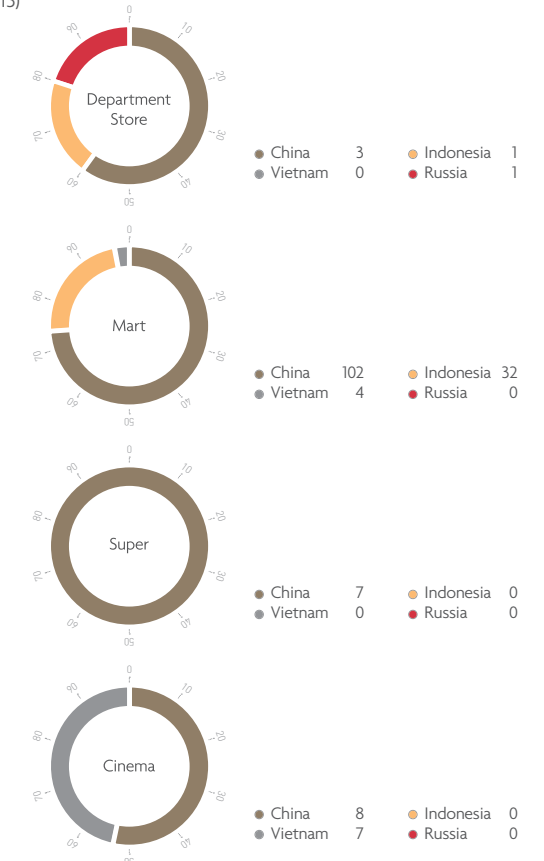
CHINA

Department Store		2
Super		7
Cinema		4
Mart		12
		25

INDONESIA

Department Store		1
Mart		4
		5

◆ Overall Status of Lotte Shopping Global Stores
Total 165 (as of June 2013)



Outreaching the Global Market by Lotte Shopping

Global Strategy - Strategy for VRIC's

- **Lotte Department Store** Presently concentrated on four countries in Vietnam, Russia, Indonesia and China vigorously opening up new stores remarkably by implementing our global management strategy including opening new stores, launching new products, MD, localization and responsibility management.
- **Lotte Mart**, by declaring its vision 'Global TOP 5 Lotte Department Store' 'No.1 Retailer in Asia, Lotte Mart', is also actively seeking out global business opportunities. Lotte Mart initiates <Bottom-up self-directed action, 10% efficiency improvement per store> as the strategic direction and aggressively executing its global strategy to achieve its goal of Global Lotte Mart operation of 886 stores including Korea 186, China 549, Indonesia 104 and Vietnam 47 by 2018.
- **Lotte Super** has opened the 1st store in Beijing, China in September last year and it is the beginning of global market penetration: thus, it expands its global business incorporated with domestic business and establishes a foothold of various new market openings.
- **Lotte Cinema** has launched the movie theaters business in Vietnam and China. Especially, it improves its influence to the local market by pursuing key strategies including collaborating with local partners, differentiating facility and service and manpower localization.



2012~2013 Highlights

Lotte Shopping has increased the brand value through differentiated customer service and competitive products and the provision of Merchandiser (hereinafter 'MD'); in addition, it undertakes various activities in environmental and social issues to improve corporate image and customer value creation. As a result, our brand value was highly recognized throughout national and international research papers and our performance in service, logistics, environmental management and right management was recognized in various areas as well.

DJSI World 'Industry Group Leader'

Lotte Shopping was selected for Dow Jones Sustainability Indexes World (DJSI World) in September 2013 for five consecutive years, along with the honor of being nominated as the best global distribution corporation (Retail Industry Group Leader) for four consecutive years. This recognition serves as an opportunity for Lotte Shopping to be acknowledged globally for its financial performance as well as its commitment for social responsibility and environmental dedication.

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“Global Top 3” Retailer by Forbes

Lotte Shopping was selected as the Global No. 3 in department store section among Forbes global 2000 companies in 2012. Forbes Global 2000 is a list annually published for global ranking in terms of financial performance and market capitalization and ‘Global Top 5 by 2018’ of Lotte Shopping’s vision, therefore, was reaffirmed its high possibility to achieve the goal.

Forbes

National Customer Satisfaction Index No. 1, Lotte Department Store & Lotte Mart



Lotte Department Store was nominated the first place of 2012 National Customer Satisfaction Index (NCSI) in the department store section in 10 consecutive years and Lotte Mart was selected the first place of 2012 NCSI in two consecutive years in the large scale discount store section. National Customer Satisfaction Index is a comprehensive analysis index of customer’s expectation and satisfaction on companies’ products and services and with this result, we are reassured our service competitiveness as well as our customer’s devotion and trust.

100 Great Work Place in Korea, Grand Prize

Lotte Department Store was awarded the grand prize for 100 Great Work Place in Korea in distribution section, highly attained in management trust and pride in operation and organization for two consecutive years. Received high score in major evaluation indicators such as trust in management and superior and pride in work and organization, and it reflects and assures the Company with true confidence by our employees who are also our internal clients.



Green Ranking No. 1, Grand Prize of the 1st Green Reputation Index

Lotte Shopping was awarded the first prize in Korea 100 Green Ranking in Consumer and Commercial Service sector - Green Reputation index is the comprehensive assessment of corporate environmental competitiveness. The 1st Green Reputation Index evaluation was based on people’s overall recognition on green business activities of enterprises and our corporate image of leading green management was once more proved by attaining the grand prize by the Minister of the Environment.



Global Social Contribution

Lotte Shopping has various global social contribution programs set forth to meet as Lotte Shopping striding into the global distribution enterprise: planting trees in the greenbelt area of runsom in Mongolia along with medical services, in Jakarta and Indonesia, we are conducting environmental improvement including solar light delivery and developing localized CSR such as providing medical services and medical aids. As a corporate citizen of the global society, Lotte Shopping will consistently and faithfully continue our social responsibility.

Coexistence Program with Traditional Market

Lotte Department Store, in April 2013, signed a cooperation agreement with eight chairmen of the traditional market Associates and it aggressively seeks to an opportunity developing mutual benefits with Traditional Markets. We are trying to give practical helps including fundraising of 5 billion KRW for the main theme of ‘Vibrant and Fun Traditional Market Creation’. Lotte Department Store leads the traditional market restoration by improving traditional market environment while utilizing vital know-how and ability of the Department Store to improve services and marketing.



elLOTTE

Premium Online Shopping Mall 「elLOTTE」

Lotte Department Store has opened a premium online shopping mall which offers the same products and services on the website in March 2012. elLOTTE was designed by the world’s leading industrial designer, Alessandro Mendini, along with Lotte to enhance the design and user friendliness of the online shopping mall for all levels while introducing the first personalized product recommendations and search services by analyzing customer characteristics and purchase history.

Family-Friendly Management Award

Lotte Department Store was awarded the Minister Prize for the 2nd Family-Friendly Management Award in Family Welfare Improvement sector, co hosted with the Ministry of Gender Equality and Family and KBS. We are recognized as an excellence enterprise of family-friendly system operation, particularly in healing center, time off in lieu, educational finance aid and Company House Support.



Certified Educational Donor by the Ministry of Education

Lotte Department Store as a certified educational donor by the Ministry of Education has various experimental learning programs that foster the right set of values and personality among children and teenagers who are the driving force in the future. We initiate our social responsibilities through implementing knocking economic education for teenagers, Children’s environmental art competition and work experience program.



THINK SUSTAINABLE BUSINESS

Lotte Shopping does not only boast the visible outcome.

Lotte Shopping fundamentally based on a clear vision and execution, leaps into a superb global distribution company, and it would grow with all stakeholders throughout a sustainable growth strategy.

The sustainability is the first and foremost goal of Lotte Shopping.

A broad commitment to sustainability will continue with Lotte Shopping every step of the way.





Business Model

Vision & Business Model

Lotte Shopping fundamentally based on a clear vision and execution, leaps into the Global Top distribution company. With this, Lotte Department Store ensures to invest all our capabilities to be ‘the Global Top 5 Department Store by 2018’ and Lotte Mart spurs to the vision of ‘The No. 1 Retailer in Asia’ in parallel.

The Key Strategies to achieve Vision

A. Enhancing Competitive Edge in Korea

Propelling System	Implementing Strategy
<ul style="list-style-type: none">* Malling<ul style="list-style-type: none">· Launching a department store in the mall as a key tenant* Culture & Entertainment<ul style="list-style-type: none">· Lifestyle Space for enjoying shopping, culture, education, entertainment and more	<ul style="list-style-type: none">* Autonomous Merchandisers (MD)<ul style="list-style-type: none">· Enhancing manpower & re-establishing evaluation criteria* Diversifying new store concept<ul style="list-style-type: none">· Concept research for a new store (Benchmarking & Consulting)· Researching business conditions and concept development

B. Enhancing Global Business Capability

Propelling System	Implementing Strategy
<ul style="list-style-type: none">* Establishing Global Business Strategy<ul style="list-style-type: none">· Market structure, population, geographic positioning and strategy* Localization of Store and Product<ul style="list-style-type: none">· Progressive localization of Store location, Product planning, Store management, service policy, etc.	<ul style="list-style-type: none">* Business Expansion by local research<ul style="list-style-type: none">· Increasing the number of stores and launching online shopping mall* Brand localization<ul style="list-style-type: none">· Establishing Brand image by building community and consumer trust

C. Increasing New Growth Engine

Propelling System	Implementing Strategy
<ul style="list-style-type: none">* Ensuring sustainability through diversification<ul style="list-style-type: none">· Considering business environment and customer needs into Diversification	<ul style="list-style-type: none">* Online shopping mall<ul style="list-style-type: none">· Enhancing online mall business by each division with offline capability* Launching new business<ul style="list-style-type: none">· Launching discount warehouse membership, gas station, pet care cafe (Pet Garden)



Newly Opened Mall typed Lotte Department store (Kimpo Airport Branch)



Lotte VIC Market



Newly opened overseas branch (Wai Hai, China)

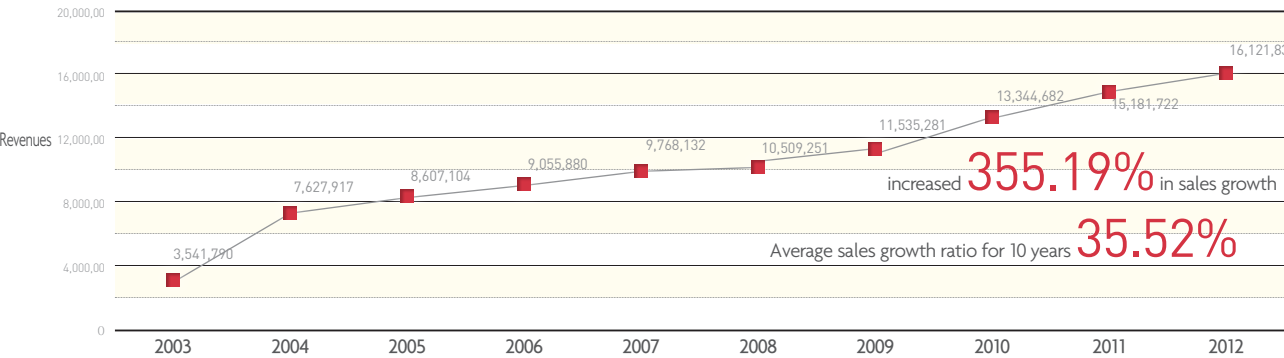


Lotte Mart Gas Station "Happy Dream"

◆ Lotte Department Store Overseas Branch Planning

		2013	2014	2015	2016	2017	2018
Russia	Revenues (100 million won)	920	1,024	1,104	1,177	1,247	1,316
	No. of Store (Accumulated)	1	1	3	4	5	6
China	Revenues (100 million won)	2,030	3,611	8,940	18,449	32,026	47,252
	No. of Store (Accumulated)	4	5	9	15	20	23
Vietnam	Revenues (100 million won)		510	559	2,042	3,180	3,770
	No. of Store (Accumulated)		1	1	3	4	4
Indonesia	Revenues (100 million won)	350	683	1,554	2,587	3,888	5,470
	No. of Store (Accumulated)	1	1	2	3	4	5
Total	Revenues (100 million won)	3,300	5,827	12,156	24,256	40,340	57,808
	No. of Store (Accumulated)	6	8	15	25	33	38

◆ Lotte Shopping Revenue Trend of last 10 years (Unit: in million KRW)



◆ Lotte Shopping Status of Stores

Korea				Overseas			
Department Store	35	36	38	Department Store	2	3	4
Mart	90	95	103	Mart	106	124	137
Super	277	350	391	Super	0	0	4
Cinema	68	75	91	Cinema	4	8	14
	2010	2011	2012		2010	2011	2012



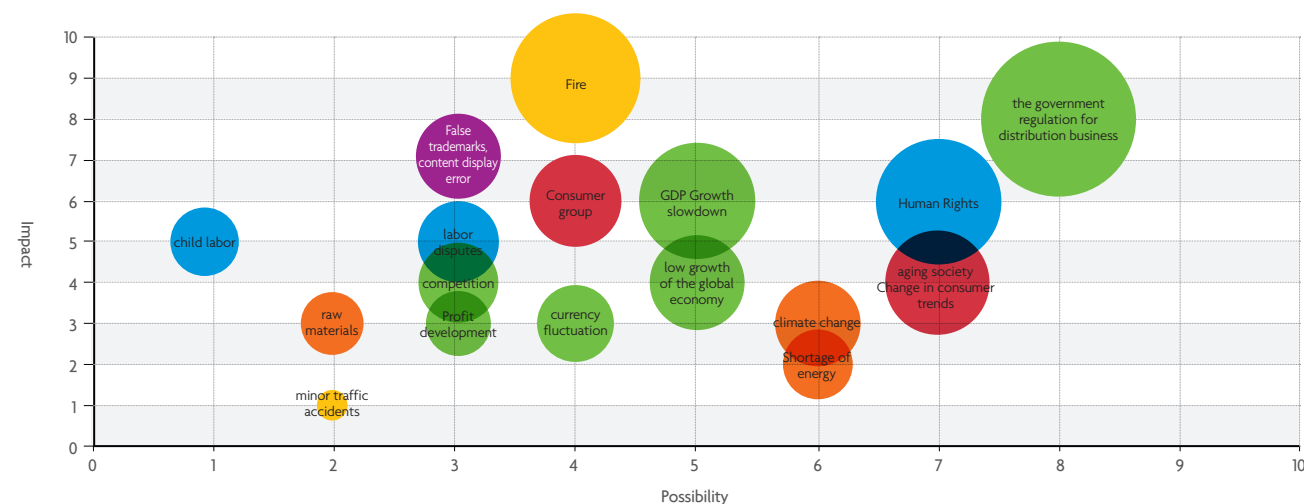
Risk Map against Business Plan

Lotte Shopping has anticipated a various internal and external risks while engaging in business activities. Lotte Shopping has defined pertinent tangible and intangible risks and has continuously analyzed a possibility and impact of each risk associated in our business and has taken proactive actions to keep them at minimum level. Lotte Shopping has categorized six major risk factors in the business environment, the product, the environment, the consumer, the human rights and ethics and disaster or mishap that have been recognized by our survey on the status of risk management.

◆ Encircled Risks in Lotte Shopping



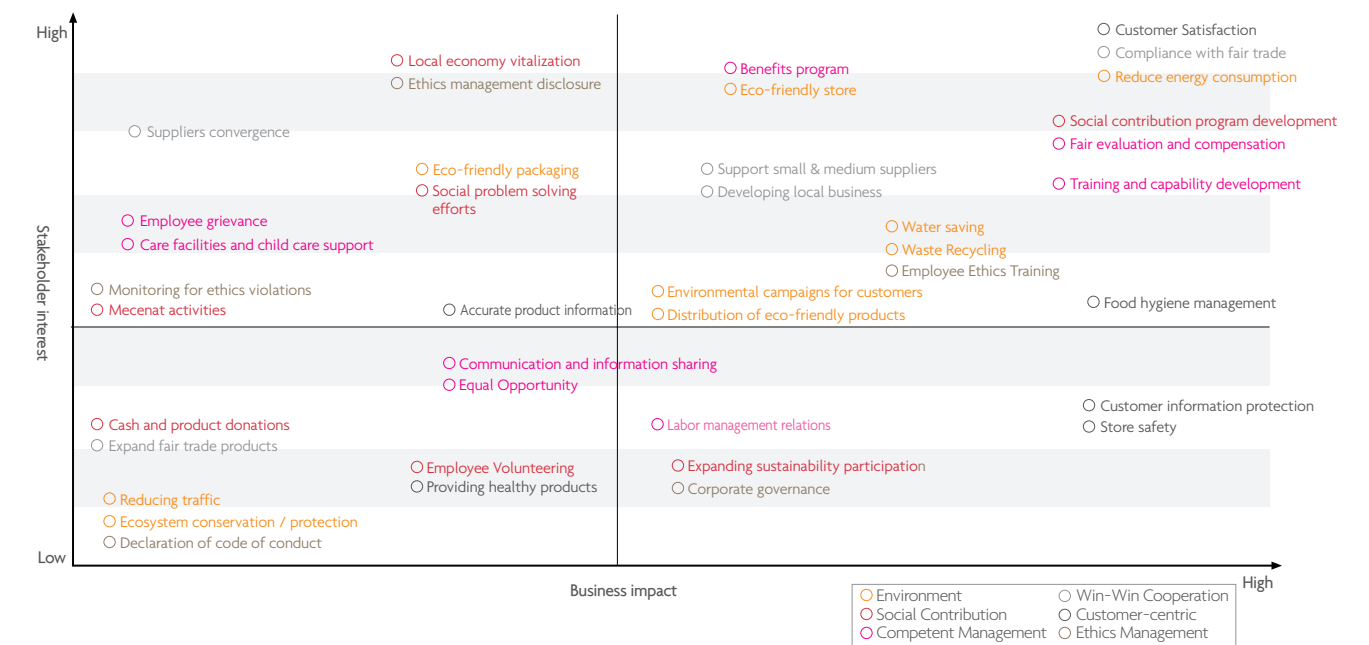
◆ Lotte Shopping Risk Map



Stakeholders Communication

The sustainability management conducted by Lotte Shopping holds up the responsibility with various stakeholders and aims to provide desirable values to each stakeholder. For this, we have conducted a regular survey on the stakeholders, built up various communication channels to identify their interest and made every effort to ensure for preventing risks and creating new opportunities.

◆ Materiality Analysis of Stakeholders



◆ Communication Channels with Stakeholders

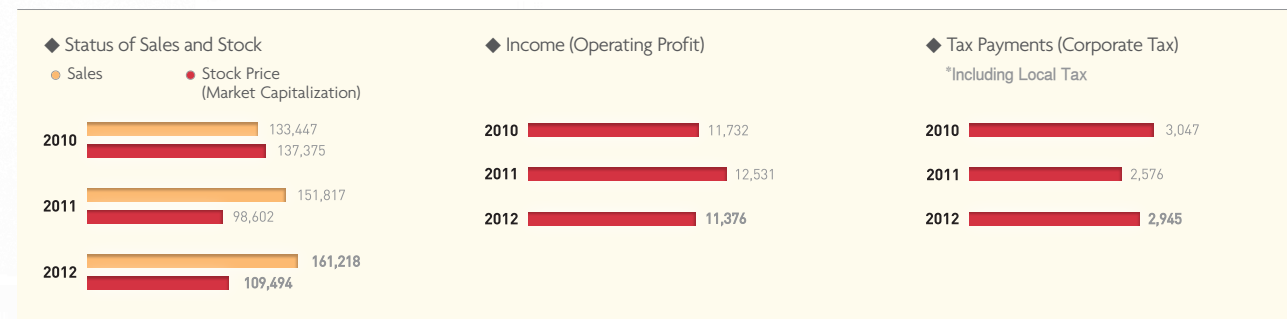




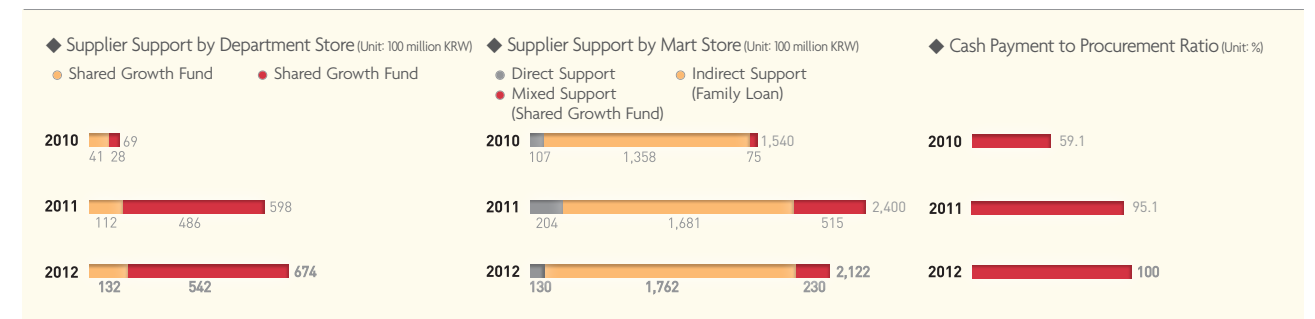
Sustainable KPI

Economy

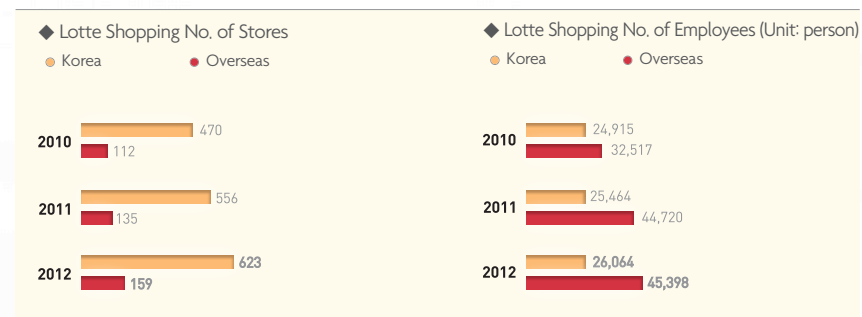
Lotte Shopping Financial Status (Unit: 100 million KRW)



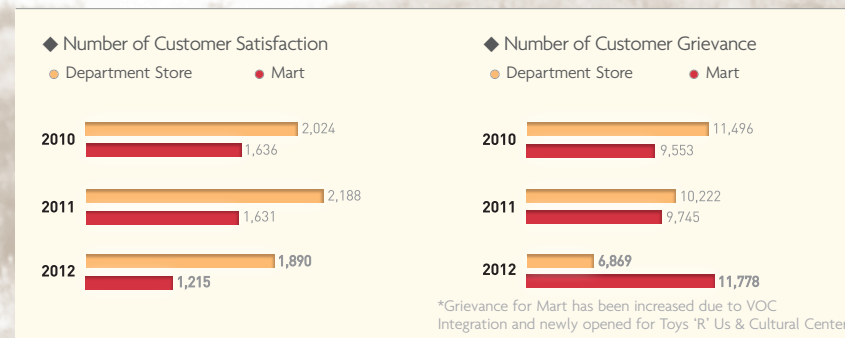
Supply Chain



Business Expansion

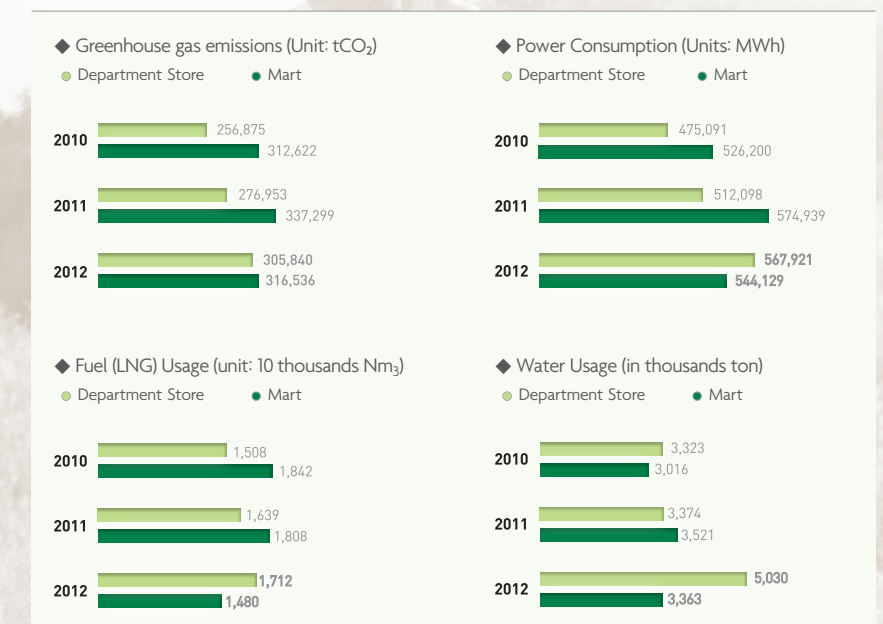


Customer



Environment

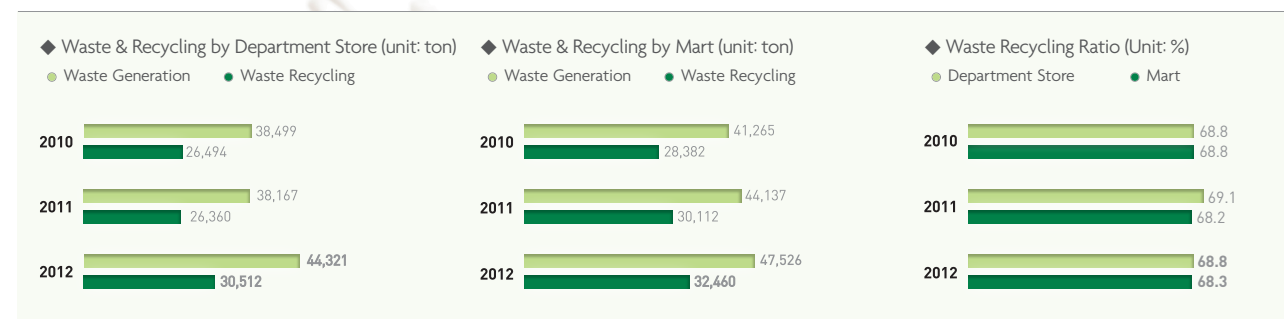
Greenhouse Gas, Power, Fuel, Water





Environment

Waste Generation & Recycling

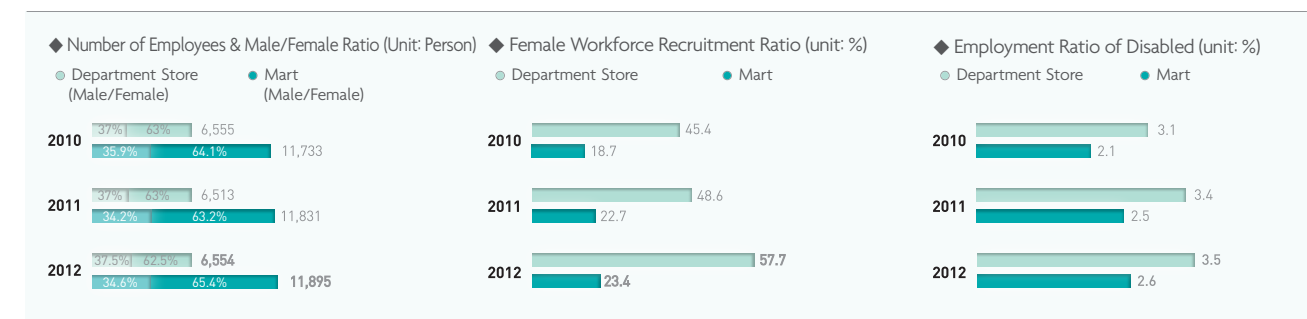


Environmental Certification, Green Purchasing, etc

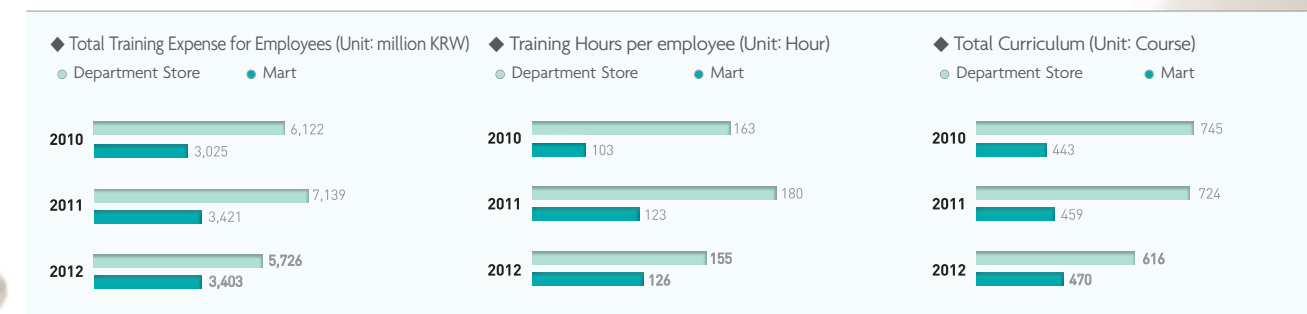


Society

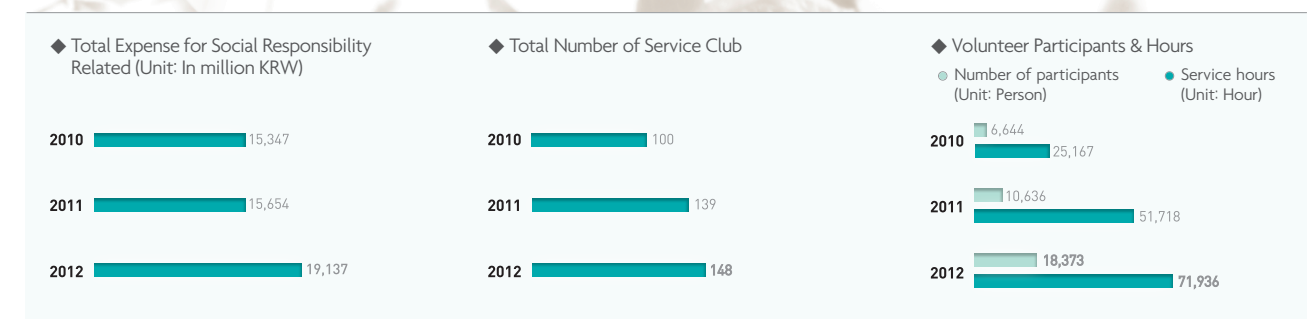
Employees (Human Resources Management (HRM))



Employees (Human Resources Development (HRD))



Social Contribution





Three Key Strategies for Sustainability Management



Strategy 1
Sustainable
Culture

Sound Corporate
Governance

Innovation

Ethics



Strategy 2
Value Chain

Communication and
Support for Suppliers

Employees
Competent
Reinforcement

Customer-
Oriented
Management



Strategy 3
Equal Project

Environmental
Management

Product Quality
and Safety

Social
Contribution



THINK SUSTAINABLE CULTURE



Throughout our practices of Ethics management nurturing fair competition culture, Lotte Shopping is strengthening competitive edge by implementing social responsibility and ongoing managing innovation.

Our open communication leads to the convergence of opinions and needs by various stakeholders and further leads to brace transparent corporate governance and to be able to get the trust by the society and stakeholders.

Lotte Shopping is trying to make a virtuous circle of sustainable growth.


Overview

Sustainable Business

Sustainable Culture

Value Chain

Equal Project



Sustainability Issues in Organisation

Lotte Shopping underlines to be a sustainable company with Ethics management, Social responsibility, Customer satisfaction management and Environmental management. Sustainability is the first and foremost goal of Lotte Shopping. Our pledge for concern and investment of sustainable management will not be stopped.

Integrated CSR Management System

Lotte Shopping is committed to develop the distribution industry sustainability by implementing the integrated CSR Management by corporate level. Sustainability management and social responsibility practices are the core management policy. We have categorized core management elements in economy, society, ethics and environment and thereby upholding our sustainability.

CSR Dedicated Organization

Lotte introduced and deployed the comprehensive CSR management system at corporate level by the CSR Head: and, the sustainability committee, consisted of six practical management associations, has shared the strategic CSR objectives and performance by communicating within correlated teams.

Sustainability Committee

Lotte’s sustainability Committee was founded in 2010 as the CEO positioned for the chairman for the committee. The committee is consisted of nice executives who are in charge of its business units and discuss and determine its strategic directions and main assignments.

Organization of Sustainability Committee

CEO

Sustainability Management Committee

Chairman: CEO
Members: Executives of business units

Working Committee

Environmental Management

Social Contribution

Ethics Management

Talent Management

Mutual Growth Cooperation

Customer-oriented Management

Working Committee Meeting (Quarterly)

Sustainability Management Committee (Quarterly)

Implementing Projects at Corporate Level

▽ Sharing and communicating of current issues
▽ Establishing goods and projects
▽ Collection & management of performance


▽ Consultation of Corporate Strategies and Decision Making
▽ Approval of Corporate tasks & objectives
▽ Performance feedback


▽ Shared goals & communication
▽ Establishing execution Plans
▽ Implementing tasks


Committee Office


CSR Head (CSR department)

◆ Lotte Shopping Sustainability Management Elements

**Economy**
Pursuit of economic value creation and sustainable growth

**Society**
Continuous development of national and community by promoting strategic social contributions

**Ethic**
Compliance of corporate ethics and fostering fair business culture


**Environment**
Leading environmental conservation and prevention of climate change

Ultimately, these four elements of sustainability management would lead toward to “the World’s respected Global Distribution Company.”


◆ Lotte Shopping Sustainability Report




2004




2005~2006




2007~2008




2009




2010



2011



2012



2013














Sound Corporate Governance

Lotte Shopping is committed to ensuring rational, transparent management and professional and sincere decision making that would establish the sound corporate governance harmonized with the global standards.

Board of Directors

The Lotte Shopping board of directors comprises of 11 directors, six of whom are outside directors ensuring the transparency of corporate governance. At the present, CEO Shin Heon serves as the chairman of the board; and at the 43th annual general meeting in March 2013, Lim Sam-Jin of Vice Chairman of the Korea Railroad Association and Back Myeong-Hyeon, former divisional head of Korea Financial Investment Association were newly appointed for outside directors while the terms of two former outside directors was expired. The requirement criteria for outside directors is pursuant to the Commercial Act, article 382, section 3 and article 542-8, section 2; moreover, the total remuneration ceiling for the directors is subject to approval of the general shareholders meeting.

◆ Composition of Lotte Shopping's Board of Directors (as of May 2013)



01. SHIN KYUK-HO, General Chairman of Lotte Group

02. SHIN DONG-BIN, Chairman of Lotte Group

03. LEE IN-WON, Vice Chairman of Lotte Group

04. SHIN YOUNG-JA, Chairman of Lotte Foundation

05. SHIN HEON, President & CEO of Lotte Shopping

06. HOWARD RHEE, Former Director of Seoul Custom House

07. KIM WON-HEI, Former Managing Director of Finance and Accounting of Lotte Chemical

08. KIM TAE-HYEON, Lawyer of Yulchon LLC

09. MIN SANG-KEE, Professor of Business School of Seoul National University

10. BAEK MYEONG-HYEON, Former General Manager of Korea Financial Investment Association

11. LIM SAM -JIN, Vice Chairman of Korea Railway Association

The Power of BOD

The BOD deliberates and decides important resolutions associated in the law or the articles of incorporation, delegated resolutions by the general shareholders meeting, the corporate management on the general policy and conducts of business. The BOD can require for relevant employees or external personnel to attend the meeting for their opinions on the performance of management and also can seek expert advice if needed. (BOD regulation, Article 13, section 14)

BOD Meetings and Resolutions

The board of directors, in general, holds regular meetings once a month. Board resolutions require the presence of the majority of the directors and a majority vote from the directors present. The board held 13 meetings in 2012 to deliberate and decide on major management issues.

BOD Committees

Lotte Shopping sets up the Outside Director Recommendation Committee and the Audit Committee under the BOD to ensure transparency and to check senior management's ability and expertise in overseeing economic, environmental and social activities. The Outside Director Recommendation Committee nominates candidates for outside directors who represent the interests of shareholders in order to improve management transparency. The committee, composed of two outside directors, held three meetings in 2012. The Audit Committee is comprised of three members of outside directors and held five meetings in 2012.

Lotte Shopping Remuneration Status of BOD

Remuneration for the BOD dispends clearly within the directors' Remuneration ceiling approved by the general shareholders meeting. The approved ceiling by the GSM in 2012 was 11 billion won, the same as the previous year and the amount paid out was 6.46 billion won.

◆ BOD Meeting & Attendance Ratio of Outside Directors (FY2012)

Occurrence	1	2	3	4	5	6	7
Date	2012.01.19	2012.02.09	2012.02.28	2012.03.23	2012.04.19	2012.05.24	2012.06.28
Attendance	6/6	6/6	6/6	6/6	5/6	6/6	6/6
Occurrence	8	9	10	11	12	13	
Date	2012.07.06	2012.08.01	2012.08.23	2012.09.17	2012.10.18	2012.11.28	
Attendance	5/6	6/6	5/6	6/6	6/6	6/6	

◆ BOD Attendance Ratio by Outside Directors

96%

◆ Major Resolutions by the BOD

- Approved the financial statements and Operating Report
- Audit Committee Assessment Report of Internal Accounting Management
- Approval of the merger for Lotte Square Co., Ltd.
- Approval of the merger of Lotte Midopa Co., Ltd.
- Installation of Branches



Innovation

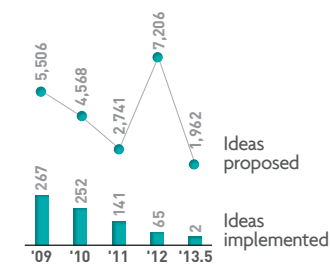
Idea Popcorn

Idea Popcorn allows all employees to freely present their creative ideas and it is our knowledge base system to promote horizontal communications. Introduced in June 2009, 'Idea Popcorn' is a well established process that all employees suggest ideas liberally and relevant operational divisions review the proposed ideas and implement them if feasible.

Connected with the Knowledge Mileage, the IDEA system allows to discover latent ideas within Lotte Shopping and to encourage all employees to participate in management innovation. After implementing Idea Popcorn, a total of 21,747 ideas were proposed. We also promoted various Idea contests such as "Cost Saving" or "Customer Happiness Service/Marketing" to promote the participation of our employees with creative ideas.

To promote the employees' working innovative mind, various awards will be given to individuals and departments for outstanding ideas, examiners and those of implemented ideas and approximately 2,100 employees have been rewarded for 32 million won in 2012.

◆ Idea Popcorn Results



◆ Cost saving Effect

7,206
Total
(Monthly Average: 600.5)

3.2
(100 million won)



◆ 2012 Status of Idea Popcorn

Category	Status	
Number of suggestions and ideas by rating	<p>Total: 7,206 (Monthly Average: 600.5)</p> <p>Rate A 65cases Rate B 365cases Rate C 948cases Steppingstone 1,667cases Duplicated 2,192cases</p>	
Participants	Proposed Personnel: 1,952 people (Full-time employees participated: 42.4%) Examiners: 375 people	Total Visitors: 37,461 people
Implementation	Ideas Implemented out of 446 best proposed 197 people Detailed implementation Completion: 30 cases Currently implementing: 167 cases	Working related ideas utilizes continuously for reference materials (total of 2,601 cases)
Status of Rewards	Mileage rewards: 3,826,000 KRW (Total of 2,204 people) Best idea rewards: 29,000,000 KRW	Monthly pay out by Lotte Members points * FY2012 3Q & 4Q 'Cost improvement ideas' Individual, Grand, Best, Most Participating Team (Total: 76 people)

◆ 2012 Summary of Idea Popcorn



2S3C Poster



Appointed for 2S3C Best Society

T

Charlotte Display Font Charlotte Display: Title

Systematic design to have a certain thickness in horizontal and vertical strokes
2-step thickness composition in Regular and Bold as used

T

Charlotte Text Font Charlotte Text: for Title

Developed light and clean feeling in harmony with restrained lines and curves
3-Step thickness composition with Simple yet modern font in Light, Medium and Bold

2S3C Society

2S3C is the action plan for work simplification, standardization and the prevention of mistakes and accidents. Lotte Department Store tries to make habituation of 2S3C as part of corporate culture. We appoint a key leader and give the 2S3C internalization training; and, we also operate one 2S3C Society per division and per store. A store with good practice published in-house press release articles once per week and one of best practice per month appoints as 'The Honor Society of Month' and rewards them.

◆ Performance of 2S3C Society (FY2012)

Society Type	Number of Society	Number of Proposed Case	Sales Growth (million KRW)	Cost Saving (million KRW)
Fashion / MD empowerment	50	176	7,159	26
Decrease inefficiency/ Work improvement	30	106	1,653	1,332
Shopping environment / Service	13	51	4,406	118
Total	93	333	13,218	1,476

Establishing Mobile Office

Respect to the expansion of smart phone usage, Lotte Department Store has developed the Mobile Office, like an early adopter, in order to conduct business in mobile environment by all employees. The smart office, based on iOS and Android platform in all smart phones and tablet PC, enables to check the sales status, to connect with the intranet, to precede the electronic payment system and even to communicate with customers and peers.

Currently, Lotte Mobile Office is set forth seven features including in-house email, bulletin board, e-payment system, employees look up, personal calendar, company calendar and sales status and it will be enhanced with five more features like SNS, news clippings, emergency contact network, voice of customer and appointment management system.

Designed Lotte Specialized Font

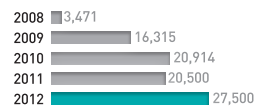
As part of Lotte 2018 Global Top 5 Achievement, Lotte Department Store introduced its specialized font in 2011, hoping to enhance Lotte's unique corporate identity. Previously we used to apply all different fonts in various documents and advertising medium. We have distributed our unique fonts within the Company, which were developed all five different fonts, Charlotte Display in Medium and Bold and Charlotte Text in Light, Medium and Bold; besides, the development phase was undertaken for one year from 2011 to 2012 with R&D cost of 100 million won that extended our efforts to all applicable items, aiming to highlight our corporate identity.

Charlotte font is applied to 2013 sustainability report of Lotte Shopping.





◆ Financial Performance by Lean Transformation (Unit: million won)



◆ The Origin of “elLOTTE”

Composited a word from common “el” from El(male pronoun, “his” in Spanish) and elle (female pronoun, “her” in French) into Lotte Department Store “LOTTE”. It implies to fulfill the various needs of both men and women and to become as the sophisticated and high-end shopping mall.

el+LOTTE

LEAN TRANSFORMATION

Lotte Mart has introduced the Lean Transformation System, management innovation system, since 2007, the first in the distribution industry. The Lean Transformation System is to simplify and to make efficient work process while identifying and eliminating all unnecessary costs. By practicing the lean innovation for years, we have implemented creative problem solving capability within the Company and as a result, we are saving costs as well as generating new profits.

◆ The 2nd Phase of Lean Innovation

Lotte Mart has introduced and consistently practiced the 2nd phase of Lean Innovation, the Growth Innovation, to raise the scale along with lean innovation of eliminating unnecessary costs.

For this corporate-level boom-up activity, we have initiated the 3%-incentive program from the financial result by innovative performance.

Launching Premium online mall 「elLOTTE」

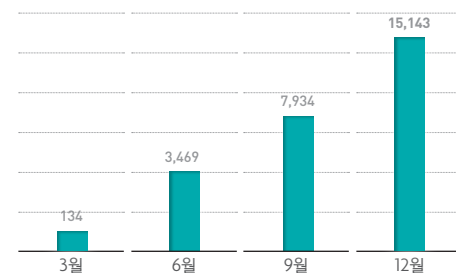
Lotte Department Store has opened a premium online shopping mall which offers the same products and services on the website in March 2012. elLOTTE was designed by the world's leading industrial designer, Alessandro Mendini, along with Lotte to enhance the design and user friendliness of the online shopping mall for all levels while introducing the first personalized product recommendations and search services by analyzing customer characteristics and purchase history. In addition, it offers 24-hour-365-day dedicated Customer Service Center and Products professional counselors to provide the high quality customer contact service.



Lotte Department Store Premium Online Mall 「elLOTTE」
Website: www.ellotte.com

◆ Sales Status of Online Shopping of elLOTTE

* Premium Online Mall elLOTTE (Launched on March 2012)



2012 Total Customers Purchased

690,000

 customers

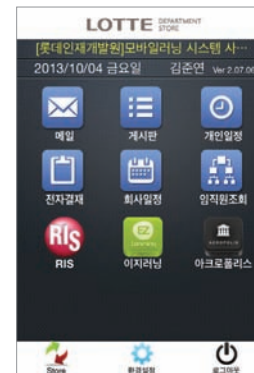
2012 Total Sales

63,535

 Million KRW

Lotte Department Store launched the integrated App

More and more people place an importance on using mobile channels. Lotte Department Store has also addressed Mobile consumers as one of main contact points and therefore we have established an integrated application to offer all of our services in one mobile infrastructure. This application linked with our previous application, Inside Eye that offered store information and leaflet viewer, and also offers various information of smart shopping life, including shopping information, events and DM coupons. Moreover, this application also features Mobile Members Card which can view and earn Lotte membership points, and QR codes and Barcodes to facilitate event participations. Lastly, utilizing the location based service, it offers mobile based coupons that automatically searching nearby stores that offer mobile coupons.



Mobile Office Screen shot



Lotte Department Store Twitter



Lotte Department Store Facebook



Lotte Department Store Blog



Lotte Department Store Kakao Talk Plus Friend



Lotte Department Store Integrated Application

SNS Marketing

Lotte Department Store employs twitter and facebook for customers to encounter shopping information easier and faster.

㉠ Twitter

In August 2010, Lotte officially announced Lotte Event (@LOTTEevent) and Lotte Story (@LOTTEstory) and throughout this twitter accounts, we relay the message of customer appreciation ceremony, events, trend information, customer Q&A, and even promote our social contribution activities. (<http://twitter.com/LOTTEstory>)

㉡ Facebook

Every departments has one facebook account to interactive intimately with customers. Since January 2011, we have about 50,000 fans to follow and we are taking advantage of its media characteristics to communicate actively our news in the form of multimedia and encourage them to share and distribute useful information throughout social networks. (www.facebook.com/LOTTEshopping)

㉢ Blog

We try to launch our trend information thru blogs as soon as possible and to form more close relationship with our customers, we operate “shopaholic story” and five online ‘shopaholic’ supporters. This regular customer’s real experience story with our department stores goes in a form of posting on our blog and these real stories spread one customer to others. (blog.naver.com/the_shoppers)

㉣ Kakaotalk

In October 2011, we have initiated KakaoTalk Plus Friend the first in the industry and now we have about 1.35 million members and deliver shopping information along with special offer once a week. Currently, 20 million people nationwide use KakaoTalk and its mobile messaging service aims for dual communication which customers to give and to be received additional information by mobile web. Lotte Department Store KakaoTalk Plus Friend



◆ Lotte Shopping Code of Ethics

Promise to customers

Customer respect, customer satisfaction and customer trust

Responsibility to shareholders

Management integrity, transparency and shareholders' right to know

General Ethics of employees

Compliance with laws and regulations, good faith, mutual respect and competency development

Ethical Relations with suppliers

Fair trade, mutual development, prohibition of ethical conduct for suppliers

Responsibility to the nation and society

Sound business conduct, prohibition of political activities, environmental friendly, safety and accident prevention

Ethics Management

Lotte Shopping takes hold of high standard of ethics management that would lead the fair competition, and tries to carry out social responsibility. To earn stakeholders' trust, Lotte anticipates preventing management risks by unethical behaviors, and taking every step to ensure the employees' compliance with code of Ethics; therefore, it would become our core culture within Lotte.

Philosophy of Ethics

Facing high value of humanity, eco-friendly environment and cultural life on the horizon, we are in the midst of reshaping for the 21st global distribution enterprise persistently accomplishing ethical management in placing utmost ethical value and conducting fair trade. For this, we have established the code of ethics and guidelines for each and every employee to enact.

◆ Guideline of Ethical Maneuver

	Main Contents
Standpoint for customers	Always respect the customers, and Pursuing customer satisfaction by continuously creating customer value
Employee Code of Ethics	As respectable employees, devoting to the essential manners and to be an exemplar by conducting ethical endeavor
Fair and Objective Job Performance	Complying with company policy and regulations and focusing on eradication of inefficient, unethical and irrational behaviors
Supplier Relationship	Transparent and fair business practice with suppliers to build mutual trust and mutual growth.
Prohibit personal benefit by using company's assets	Prohibit for generating personal benefit by acquiring of or intercepting company's assets
Protection of Company Information	In accordance with Security Management Provision, the Company's tangible and intangible assets including intellectual property should be actively protected.
Social Responsibility	All Employees have responsibilities and duties to pursue sound business standards, to respect social value and to protect safe environment in the Company.

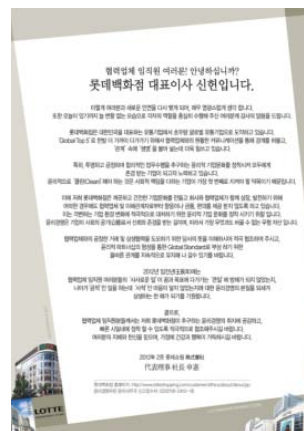
Effort to Ethical Management Participation

Not only employees of Lotte Department Store, but also all of our suppliers and colleagues, we try to deploy reliable ethical management culture among them and to escalate multi-pronged effort to make them implicated.

Our CEO has sent out an email encouraging our Ethics Management to all our employees and suppliers; and further during the holiday period, head of each department has sent out an email of Ethics Management Practice. In addition, every sales office within our Company, sales managers have placed the training session of Ethics Management to our sales colleagues.

All employees electronic pledge for ethical management (Introduced on March 2012)

Lotte Department Store declares our commitment of Ethics Management and Practice throughout electronic pledge ceremony by all employees of Lotte and by undertaking this official pledge, we hope to acquire transparent and reliable corporate culture and fair business practice by employees. Judging from this, Lotte's employees have committed themselves to practice Ethical Management and thereby they have voluntarily established sturdy ethical belief.



Employees Ethics Management Participation Email

◆ Ethics Hot-Line Channels



Internet

Lotte Group "Shinmoongo", Ethics Bureau (Website- Ethics Violation Report: EDI System, Procurement System, Product Department Website, Appointment Management System- Ethics Office, Violation Case Report)



Telephone

Launched Report-dedicated Telephone Number: 02-2118-2118



Direct mail

TaeYang Building 701, 28 Sogong-dong, Jung-gu, Seoul, Korea (Postal Code: 100-721)



E-mail

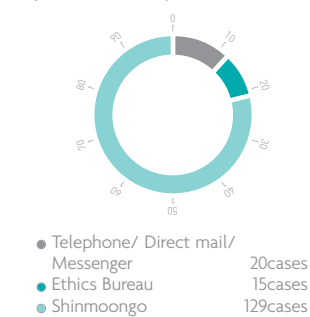
ethics@lotteshopping.com



Internal Messenger

Internal Messenger-Ethics Hot-Line

◆ 2012 Hot-Line Report Case (Total 164 cases)



◆ Violation Cases of Ethics Management (recent 4-year)



Ethics Management Training

Lotte Shopping conducts regular Ethics Training Session for new employees every year. This training was organized twice a year when delivering New Employee Orientation & Training Period and as a sales manager, new employees were trained all required Company policy and guidelines. In 2012, total of 264 new employees were undertaken this training session – 183 employees in the first half and 81 employees in the second half of this year.

Operating Ethics Hot-Line

Lotte Shopping expands and enhances the existing corporate ethics violation reporting system with various online and offline reception channels and once reported we provide fast feedback about the result. We also encourage them to report inefficient and irrational cases so these would improve our business practices and our system.

In addition to promote the reception channels, we create promotional posters and each store and department publishes them and we send out monthly "Ethics Alert" to all employees facilitating internal report practice.

Protection Policy for Internal Relator

Lotte has established rigorous internal relator protection system to ensure the identity of the relator and against all unfair treatment. During investigation period, the internal relator's identity will be protected by various measures. If there is any unfair treatment or harm to be found, compensation will be arranged accordingly.

◆ Internal Reporting Process



Procedures & Status of Ethics Violation

If there is any violation of code or guideline of Ethics, the Personnel Committee can make a decision based on the accurate findings by Ethics Bureau to the related person or party and the level of discipline and punishment is in accordance with the Discipline Provisions. The year 2012, we have particularly emphasized on transparent management and efficiency improvement and we have persisted various work improvement and unethical conduct investigation; as a result, we have reduced or redeemed 5.7 billion won, 20 unethical violation cases were occurred and 28 people were given disciplinary measure.



THINK VALUE CHAIN

Lotte Shopping utilizes various communication channels to enable the Company to listen to its suppliers. By highlighting work-life balance for our employees, we provide a suitable environment for our employees to excel their best competencies. We strengthen our value chain by pursuing mutual growth with suppliers through customer oriented management, nurturing our talented personnel and lastly increasing our customer satisfaction.

Lotte Shopping further brace the future based on the solid foundation for sustainable growth with one and all



◆ Fair Trade Compliance System Process

1. Operating Effective training programs

For better understanding of voluntary compliance system, implementing regular training session for all employees and frequent training session for new employees, MD and CMD, and organizing cyber training program and outside liaison training program.
2. Operating Corporate-level Supervisory System

Conducting a regular inspection for Products Division and Sales Division, at least twice a year along with frequent inspections, to prevent any violation of Fair Trade Compliance in advance.
3. Strict sanctions, Evaluation System and Feedback for CP improvement

Upon discovering of violations, imposing a sanction, resolving unfair treatment against supplier and distributing violation case within the company.

◆ Training Participants of Fair Trade Compliance

Total of
6,594 employees

Sustainability Issues in Supplier

Suppliers are imperative partners for Lotte to achieve sustainable development through mutual prosperity. Lotte Shopping upholds diverse communication channels to enable the company to listen to its suppliers. By voluntarily abiding by fair trade rules, Lotte Shopping is establishing a platform for mutual prosperity with our suppliers.

Fair Trade Compliance System

Fair Trade Compliance Program (CP: Compliance Program) means a company's voluntary compliance system and code of conducts in order to comply with Fair Trade laws and regulation. In 2001, Lotte Shopping declared the first in its industry the Fair Trade Compliance Program to facilitate a fair and equal partnership with our suppliers and we have introduced various voluntary compliance systems to help our CP program enacting continuously and efficiently.

◆ Lotte Shopping Fair Trade Compliance System Process

Category	Contents
Training & Prevention Activities	- Distribution of Fair Trade Compliance Handbook and Work Manual - Regular training for all employees and frequent training for product department, MD and CMD - Appointing CP Head Manager and organizing workshop (64 people attended in one workshop in 2012)
Surveillance and supervisory activities of CP violations	- Compliance of Large-scale distribution laws during MD restructuring process - levying of costs unrelated to sales promotions and Unfair dispatching of co-workers - Unfair displaying and advertising - Forced participation in sales promotion and discount events
Evaluation and Improvement Action	- Disciplinary measure for violators - Distributing violation cases within the company and requiring self corrective action

Fair Trade Training

Lotte Shopping sets the annual training plan and puts lots of effort to cultivate fair trade awareness for our employees. In 2012, we have organized 76 training sessions for 6,379 employees, particularly for those employees in sales and product divisions, we expect them to complete at least two hours of training session per semi-annual. In addition, with respect to understanding and valuating training effect of fair trade laws, all employees require taking a test on fair trade laws once a year so this training session will be fully effective in our system.

◆ 2012 Fair Trade Compliance Training

Category	Period	Frequency	Participants
CP management Head and Staff Workshop	June	2	164 employees
Products Division (7 depart-ments) Sales Department (41 Branches)	January ~ December	76	6,379 employees
Fair Trade Theory and Practical Training by Competition laws center of Seoul National University	February ~ June	1	1 employee
Fair Trade Training by Fair Competition Federation	January ~ December	15	50 employees



Reinforcing Communication with Suppliers

Lotte Shopping operates a website to reinforce our communication with the suppliers. In this website, for our dedication for mutual growth, we have implemented actual support programs such as suppliers funding, training program and consulting for space renting and opening up communication window for our suppliers. In addition, we operate Fair Trade “Shinmoongo” which is our part of corrective action plan for suppliers when they have experienced unfair practice or inconvenience with us. When a supplier or an anonymous source reports in our website, we promptly identify and investigate the related case and try to find a resolution.



Lotte Department Store Mutual Growth Website



Lotte Mart Mutual Growth Website



Invitational Convention with Suppliers

Invitational Convention with Suppliers

Lotte Department Store regularly holds a convention with suppliers as part of our various communication channels. Presently we have organized seven conventions since 2009, and especially in May and November 2012 and July 2013, we have invited CEOs of suppliers and have exchanged their opinions. Lotte Mart also started ‘CEO Supplier Visit Day’ in November 2010 with the first supplier, ‘Cheongmiwon and has visited 20 suppliers until May 2013 to collect direct on-site opinions from SME suppliers.

Mutual Growth Academy

The group organized Mutual Growth Academy is the educational service for our suppliers to develop its manpower. Largely, it consists of online and offline educational sessions in CEO breakfast meeting and position-specific job training of computer literacy skill, presentation and marketing. In particular, we conduct a specialized training session called “soft landing” for our new comers, B/D. Since February 2011, we have conducted the Mutual Growth Academy and a total of 726 people and 386 people were trained in 2011 and 2012, respectively.

◆ Training Status of Mutual Growth Academy

Year	Trainees	Suppliers	Total Training Hours(H)	Total Training Expenses (in thousands won)	Training Expense per person (in thousands won)
2011	726	518	5,297	85,917	118
2012	386	187	4,607	25,875	67

* implementing the Mutual Growth Academy in February 2011.

◆ Mutual Growth Academy Training Program

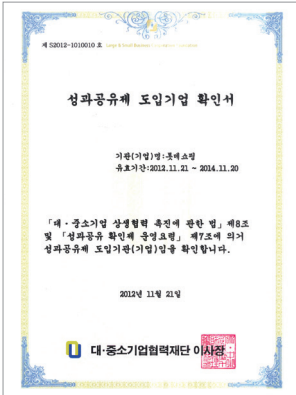
Category		Details
Policy Process		Operating by Theme (ex. Information Protection Course)
Fostering CEO and next generation leaders		Mutual Growth Seminar (quarterly), MEP Mutual Growth Course
Job Training	Class	Team Leader’s Empowerment Course, Deputy Manager’s General Skill Improvement Course
	Job enrichment	Launching Job Training Courses by Supplier Sector (Monthly base)
E-learning		Various e-learning courses for Job/Language

Programs for Fostering Green Companies and Promoting Green Products

Lotte Mart has introduced the first ‘Green Card’ earning point product to promote the mutual growth. It gives up to 20% of green points for green PB and small business green products and in year 2012 only, a total of 8.7 million accumulated points was given to 34 companies. In addition, in conjunction with the Environmental Industry & Technology Institute, we have supported the



Products with Carbon Labeling Certification



Certification of Performance Sharing Program Company



Outstanding Small Business Expo

◆ Training Suppliers for Joint Overseas Market Entering

226 Suppliers

consulting and expense of the Carbon Labeling Certification for our small and medium suppliers, so in 2012, two suppliers have certified with the Carbon labeling for their five products.

Introduction of Performance Sharing System

Since November 2012, Lotte Department Store was the first in the industry to introduce and implement “Performance Sharing System”. In collaboration with our suppliers, we have organized a big event that has certain target amount and growth rate of total sales, and then we have shared the elongation of the target sales and 12 companies have participated in 2012, called “above-the-sale-quota” performance sharing. In the meanwhile, Lotte Mart was also the first in the discounting market field to introduce the performance sharing system and it has implemented various performance sharing systems such as “Joint Product Development”, “Green Growth” and “Overseas Market Development” throughout 2012.

Outstanding Small Business Expo

In connection with the Small and Medium Business Administration (SMBA), Lotte Department Store has organized the product expo of outstanding small business by our branch. We have gathered outstanding products from patent products of small business, household ideas good and seasonal stellar products recommended by SMBA and it was held in Busan Headquarters and other 12 branches.

SMEs’ Garments Prior Inspection and Support for Quality Control Personnel

Lotte mart, in conjunction with Lotte Safety Center and outside agencies, pre-inspects garments from SMEs and supports quality control personnel. The pre-inspection includes fabric inspection, finished goods inspection and KC safety inspection. In 2012, we have paid a total of 37 million won to the self-inspection agency (Safety Center) for MPB (SMEs brand products) products.

Training of Joint Overseas Market Entering

With respect to joint entering overseas markets with SMEs, we have conducted an educational and training sessions including actual job training of import and export. We have also dispatched our local staff to overseas branches to coordinate the project schedule with our overseas distribution networks in China and Indonesia.

◆ 2012 Training Status for Joint Entering Overseas Marketing

Category	Beijing, China Review of Korea Products Special Fair	Shanghai, China Review of Korea Products Special Fair	Indonesia Consulting for K-Hit Plaza Establishment
Date	Friday, March 20, 2012, 14:00~16:00	Tuesday, August 21, 2012, 14:00~16:00	Tuesday, November 6, 2012, 11:00~16:00
Participants	Korea Products Special Fair 69 people from 69 suppliers	Korea Products Special Fair 69 people from 69 suppliers	Entering Indonesian Market 130 people from 130 suppliers
Details	Overseas markets, Export and import procedures, Domestic & Overseas Training, Training support Review the outcome of Beijing Fair / generating improvements	Overseas markets, Export and import procedures, Domestic & Overseas Training, Training support Review the outcome of Shanghai Fair / generating improvements	Overseas markets, Export and import procedures, Domestic & Overseas Training, Training support



Supplier Support

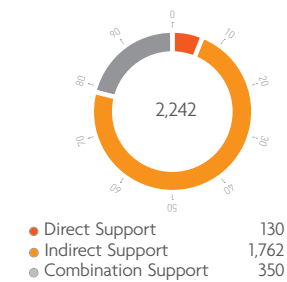
Financial Support for Suppliers

Lotte Shopping, in order to overcome financial difficulties for small and medium suppliers, has organized various financial support programs including financial support, advanced payment, financial funds in connection with financial institutes. We are expanding our financial supporting programs to procurement related suppliers so all of our partners are supported by our supporting programs. As part of Financial Support Programs, Lotte Department Store has established "Mutual Growth Financing" and "Mutual Growth Fund" for our suppliers. This Mutual Growth Financing is a supporting program by self-raising funds that reached up 100 billion won in March 2011 from 15 billion won in 2010. We have supported a total of 13.2 billion won to our suppliers for the year 2012 only. By operating the funds deposited in the financial sector, Mutual Growth Fund aims to receive better interest rates for suppliers when they apply for bank loans. Lotte Department Store has increased the amount of funds to 62 billion won in 2012 from 50 billion won in 2011 and 40 billion won in 2010. By this Mutual Growth Fund, we have supported a total of 54.2 billion won for 86 cases for the year 2012 only. By providing financial support programs, Lotte Mart has cultivated stable and sustainable business environment to mutually grow with suppliers and stirring co-existent and win-win cooperation. As part of direct supporting program to develop new products, we have an advance payment with no interest to suppliers after signing a contract for product supply agreement and we have paid a total of 13 billion won in advance with no interest in 2012. As part of indirect supporting program, we have supported various financial loans (Family Loan, Damoa Loan) with financial institutes and for the year 2012, a total of 176.2 billion won were supported. And also, in conjunction with the Industrial Bank, we have established a total of 70 billion won for Mutual Growth Fund.

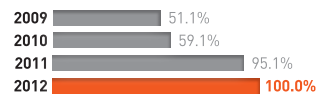
◆ Financial Support Status for Suppliers by Lotte Department Store (FY2012) (Unit: 100 million won)



◆ Financial Support Status for Suppliers by Lotte Mart (FY2012) (Unit: 100 million won)



◆ Status of Suppliers Procurement Cash Payment Ratio by Lotte Shopping (Unit: %)



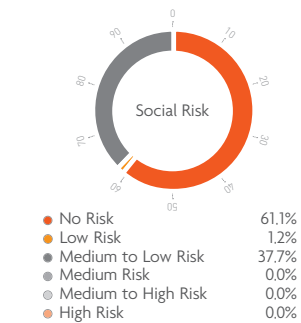
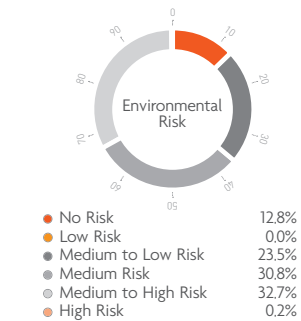
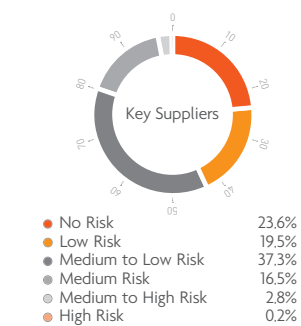
Cash Payment for Procurement

Lotte Shopping has introduced the Cash Payment for Procurement to support suppliers for smooth flow of funds in 2010. The ratio of cash payment rises every year and finally the cash payment ratio of 2012 was closely 100 percent. Meanwhile, we have reduced the payment lead time for products procurement. Starting from April 2011, we have shortened the lead time from following month 20th days to 10 days for the direct procurements, and for suppliers with mutual growth agreement, we have reduced 30 days of lead time to 10 days and for the lead time of rental space reduced to 10 days from 20 days previously. By a result, we have resolved financial difficulties of small and medium suppliers and have implemented sound business practices based on trust.

Overseas Market Development for Suppliers

Lotte Mart has organized the Korea Special Products Exhibitions of SMEs in March and July 2012 to open Chinese markets and support SMEs. By these two special exhibitions of Korean products, more than 200 products by 100 suppliers were launched into Beijing and Shanghai markets in China. Meanwhile, in December 2012, we have opened the very first Korean Products Pavilion of SMEs in Indonesia. Primarily 64 SMEs have launched 272 products in Indonesia and further these SMEs will play a very important role of advance guard when Korean small and medium sized companies enter into Indonesian market in the future.

◆ Supply Chain Risk Analysis



Supply Chain Management

Establishment of Sustainability Partnership with Suppliers

Lotte Shopping has introduced the Supplier Sustainability Management Guideline for our cooperative partner companies achieving sustainable growth together. Based on 10 principles of UN Global Compact, the Universal Declaration of Human Rights and the International Labour Organization Agreement, Lotte Shopping and our suppliers must comply in order to achieve mutual sustainable growth and this guideline contains basic global requirements including human rights, labor, environment, safety, health, ethics, etc. In addition, we have added "sustainable Management participation agreement" in the supplier contract to inspiring their aggressive practice and attention. Lotte Shopping is planning an on-going support ensuring suppliers to comply the provision of the guideline.

Supply Chain Risk Analysis

Lotte Shopping has conducted the supply chain risk analysis for key suppliers. Lotte Department Store and Lotte Mart have selected a total of 564 major suppliers and we have analyzed major areas of sustainability management in economic, environmental and social risk and as a result, we have categorized six risk classes.

In each area corresponding to risk category, there is no suppliers in high risk class. However, more suppliers positioned in above medium risks in environmental area compared to economic and social areas, therefore, it considers as relatively high risk. Because, we have applied the global standard evaluation method to establish the world-class supply chain management in ISO14001 certification, greenhouse emission management and HACCP certification.

Based on this evaluation analysis, Lotte Shopping will continuously identify and manage the supply chain risk and we will devote to prevent and improve possible risks in advance.

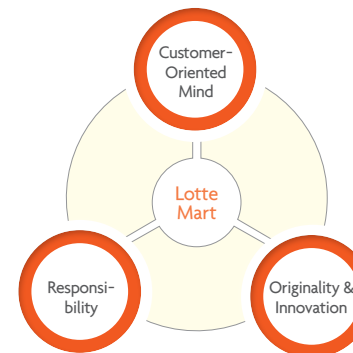




Sustainability Issues in Employee

Employees are our precious assets as well as our future. We are committed to empower our employees and to conduct fair evaluation of performance so as to attract competent manpower and improve work efficiency and these ultimately contribute to direct business gains.

◆ Competent Employee



Lotte Shopping Recruit

Lotte Department Store has directed the recruit “Right people” rather than “Best People” with four concepts of Talent. First, we determine how customer-oriented a candidate may be and how to prioritize customer value. Second, we view how creative mind a candidate possesses in amidst of ever challenging environment. Third, we see how determine a candidate may be to enhance his/her professional competence with positive thought and to have passion to achieve missions. And lastly, we determine how a candidate possesses a global business capability to recognize global trends and to be open-minded.

◆ Status of Lotte Shopping Employees

Category	2010	2011	2012
Total Employees	24,915	25,464	26,064
Permanent	10,986	11,096	11,454
Temporary	13,929	14,368	14,610
New Employees	2,162	1,281	1,209
Male	1,719	923	778
Female	443	358	431

Recruiting Overseas Manpower & Management Policy

At Lotte Department Store, we select a global manpower pool to play a leading role for overseas businesses operations. Every year we have selected candidates against the criteria of job performance and foreign language skills and this pool is usually two to three folds more than required. The selected candidates will be undergone in various education programs in global knowledge and foreign language fluency as prospect resident employees. Then, we will select outstanding candidates who completed the required training with excellent grades as resident employees.

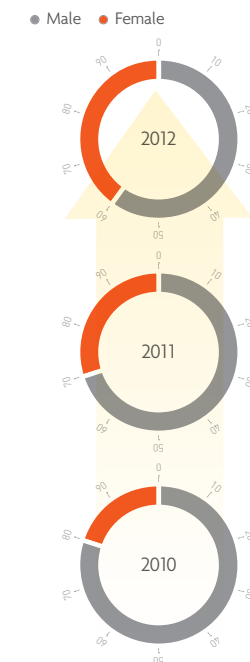
◆ Lotte Shopping Recruit Status of Resident Employees & Local Employees

Country	2010					2011					2012				
	Head quarter Dispatch	Ratio	Local Recruit	Ratio	Total	Head quarter Dispatch	Ratio	Local Recruit	Ratio	Total	Head quarter Dispatch	Ratio	Local Recruit	Ratio	Total
China	59	0%	13,646	100%	13,705	80	0%	19,516	100%	19,596	93	0%	19,973	100%	20,066
Russia	12	2%	522	98%	534	12	2%	769	98%	781	10	1%	1,088	99%	1,098
Vietnam	21	1%	2,307	99%	2,328	21	1%	2,575	99%	2,596	15	1%	2,505	99%	2,520
Indonesia	52	0%	15,898	100%	15,950	58	0%	21,689	100%	21,747	60	0%	21,654	100%	21,714
Total	144	0%	32,373	100%	32,517	171	0%	44,549	100%	44,720	178	0%	45,220	100%	45,398

◆ Status of Training Hours & Training Expenses

Category	2010	2011	2012
Total training Expenses (in million won)	6,122	7,139	5,726
Training expenses per person (in thousand won)	1,400	1,610	1,270
Total Training Hours (H)	926,301	1,080,180	866,383
Training Hours per person (H)	163	180	155
Total Curriculum	745	724	616

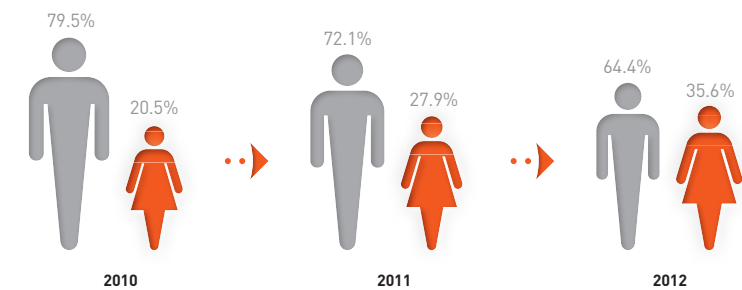
◆ Recruit Ratio Trend in Gender



Providing Equal Opportunity

Lotte Shopping does not impose restrictions based on gender when hiring new employees and provides equal opportunity to all candidates and strives to hire disabled employees.

◆ Lotte Shopping New Employees Ratio in Gender



Employee Organizational Culture Survey

Lotte Shopping has conducted an annual organizational culture survey to analyze and improve the overall company in order to strengthen manpower competency to lead and maintain the status of industry leading player. This survey covers four vital categories in “Vision/Leadership Recognition”, “HR related issues”, “Organizational culture/climate” and “GWP” with a result of the survey, we can measure our employees’ vision recognition level, job satisfaction and commitment level, corporate image recognition level and overall GWP index.

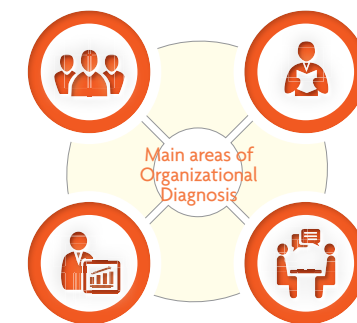
◆ Employee Satisfaction Survey Area

Leadership

- Leadership type recognized
- Vision & Strategy recognition
- Delegation of authority

Perception Study of Employees

- Organizational Commitment
- Job satisfaction
- Turnover intentions
- Prediction of employment period
- Changes in work motivation



HR Issue

- (Process) Fairness
- Satisfaction of HR (policy) affair
- Current and ideal direction of HR affair
- Compensation
- Competency within the organization
- Talent requirements

Organizational Issue

- Communication
- Driving growth force/competitiveness
- Overall company atmosphere
- Organizational culture trait
- GWP (Great Work Place)



HR Management(HRM)

Performance and Evaluation System

Lotte Shopping has an annual salary system based on ability and performance. In addition to basic pay and bonus, employees receive incentive pay depending on individual performance and special incentive pay based on the company's annual operating results. Evaluations of individual performance are used to determine an employee's annual salary grade, which in turn determines a salary and differential incentive pay was given to employees in managerial posts to provide greater motivation to improve performance levels.

◆ Different Annual Salary Grade System

Category	Ratio	Above SA GRADE
Grade A	10%	+ 150%
Grade B	15%	+ 100%
Grade C	70%	-
Grade D	10%	▲ 150%
Grade E	5%	▲ 300%

◆ Additional Compensation Grade System

Category	Ratio	All Employees
Grade A	10%	+ 30%
Grade B	20%	+ 15%
Grade C	40%	Average
Grade D	20%	▲ 15%
Grade E	10%	▲ 30%

* Grade calculated by: Assessment of Loann performance & Employee's performance

Performance Management Process

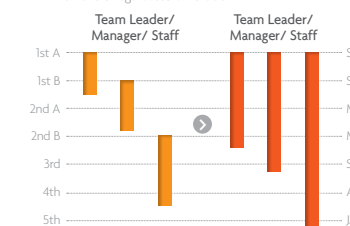
Performance evaluations are carried out based on objectives and criteria agreed on with each individual. Compensations are laid down in accordance with evaluations that reflect whether objectives have been reached and individual performance levels. Evaluations are conducted twice a year through discussion between the team leader, who is the evaluator, and team member, who is the evaluatee. Quantified objectives and criteria are set for all employees that are in line with the company and the related team's performance objectives; therefore, fair evaluation will be conducted.

◆ Lotte Shopping Performance Management Process

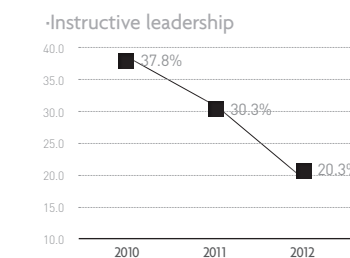
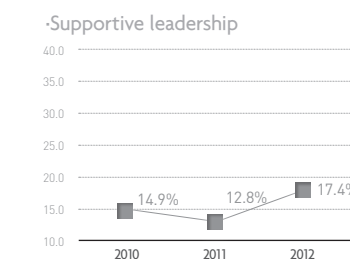
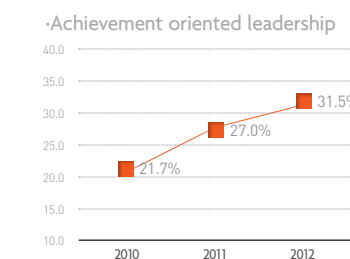
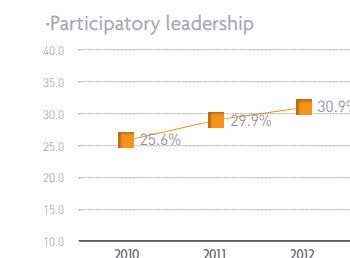


◆ Performance and Capability Oriented Paradigm Shift

● Rank based Hierarchy (Rank = Leadership title)
● Job Title based on Performance and Capability Achievers regardless of Grade



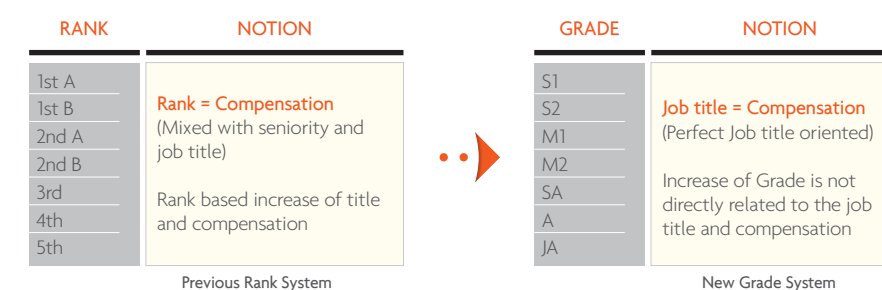
◆ Manager leadership type by year



Performance Driven Organizational Culture

We have abolished the existing rank hierarchy in April 1, 2011 and have implemented New Grade System. Under this new paradigm shift of organizational culture, only those with full capability are given job qualifications and only those qualified with high performance are given actual job titles, which are then linked to financial compensation. In short, promotion to a higher grade means acquiring job qualifications and titles and ultimately receiving higher compensation. For this, some of the existing job titles, i.e. senior manager, manager, and junior manager, were realigned in the new system that distinguishes leadership title, Team Head, Manager, etc., and non-leadership title for general staffs, Senior, Chief, etc.

◆ Introduction of New Grade System



Lotte Shopping Labor Union

Lotte Shopping labor-management relationship maintains a cooperative and companion relationship and also dispute-free workplace for 30 years. With respect to joint declaration of labor-management for two consecutive years from 2011, we have dedicated for Company competitiveness improvement, employment secure and employee rights guarantees, employee benefits improvement; therefore, we have awarded GWP for two consecutive years. We believe our strong labor-management relationship is the solid foundation of enterprise advancement.

◆ Status of Lotte Shopping labor union (FY2012)

Category	Lotte Department Store	Lotte Mart
Target members	1,875	1,076
Joined members	1,350	600
Full-time members (applied time-off)	5	3
Superior Organization	Korea Confederation of Trade Unions the National Union Federation of Trade Unions	Korea Confederation of Trade Unions the National Union Federation of Trade Unions



◆ Outplacement System

Outplacement system is a supporting and counseling system in conjunction with start-up business consulting firm to provide business-related capacity-building trainings, professional psychological counseling, asset management consulting and other services to retirees.

Retirees Support

Lotte Shopping carries out assistance programs for retirees. A memorial plaque is handed to retiring personnel in recognition of their service to the company. In addition, Lotte Shopping sends out various documents requested by retirees by mail free of charge. In addition, the retirement benefits for officers, we provide Lotte Department Store MVG benefits, condominium use, special occasions support, birthday gift and children's day gift and regular medical check-up service. In 2008, an outplacement program was introduced to provide systematic support to retirees.

◆ Lotte Department Store Retirement Status (Unit: people)

Category	2008	2009	2010	2011	2012
Retirees	224	208	262	354	455
Monthly Retirement Ratio	0.40%	0.40%	0.49%	0.65%	0.80%

Diverse Leave System

Lotte Department Store as the industry leader offers diverse leave systems to improve employee's satisfaction.



Automatic parental leave system

No separate application required and parental leave can be automatically linked at the end of maternity leave.

Family-care leave system

Parent, spouse and child's illness, accident, and debility of old age can take a family-care leave up to 90 days per year.

Aboard spouse leave system

A spouse of overseas resident employee can take a long aboard leave during the term up to four years.

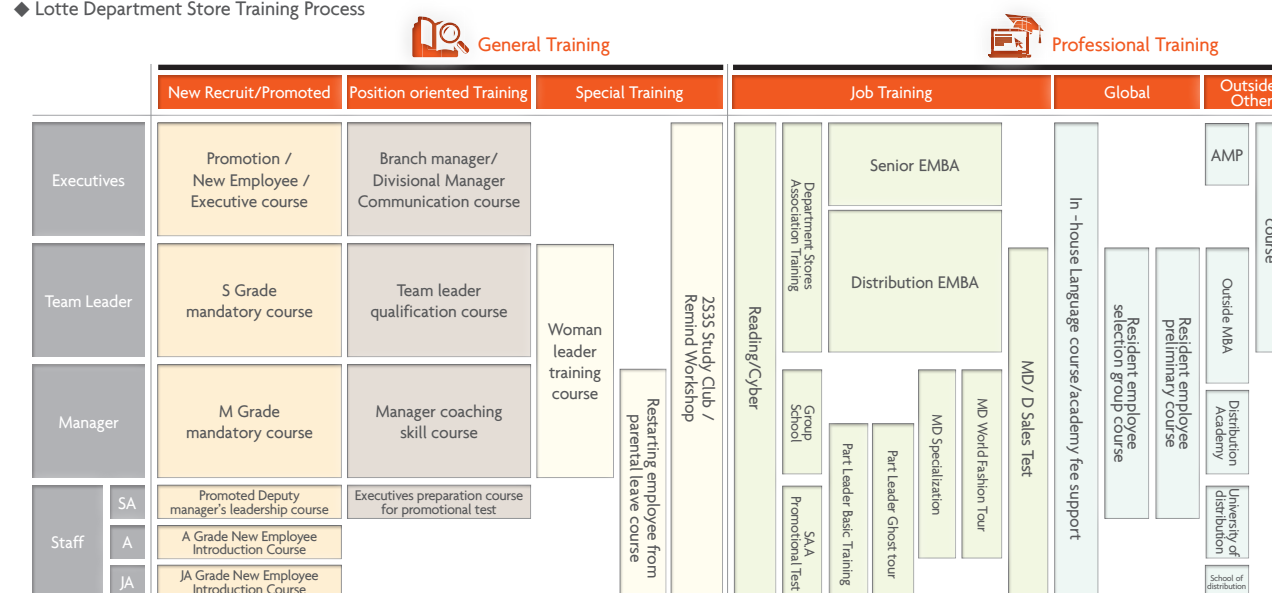


HR Development (HRD)

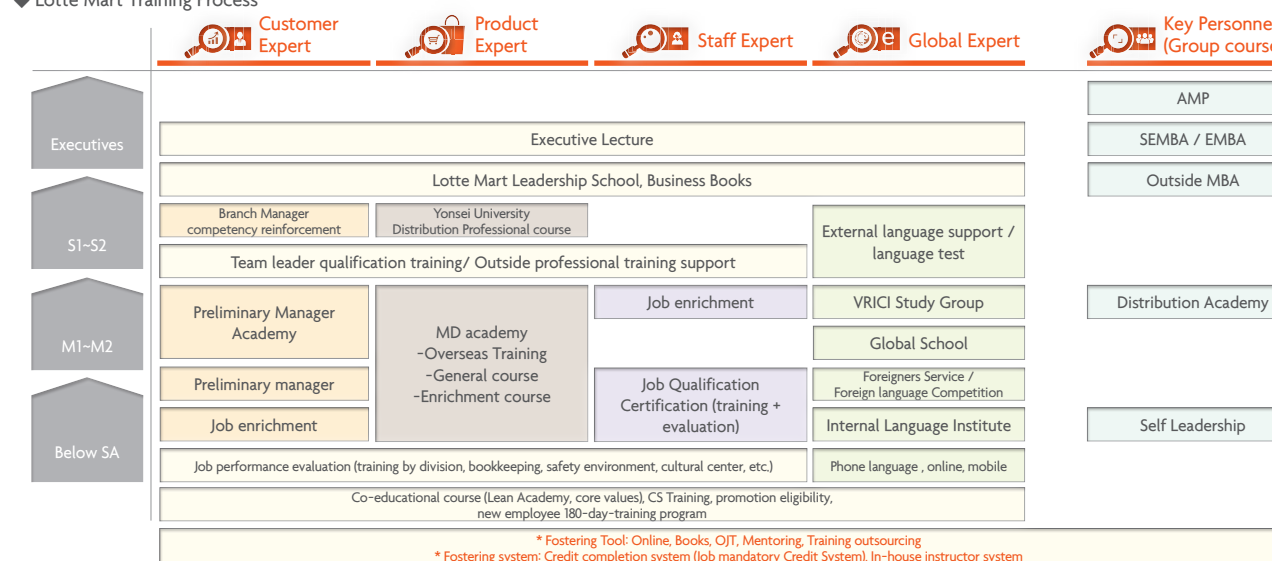
HR Empowerment

HR Empowerment reflects our dedication to develop our employee's three competencies in general, leadership and job skills. The general competency training is to internalize our core value, the leadership competency is to develop and enhance operational capability as a leader and the job skills competency is to foster its professionalism in each sector. Moreover, for Lotte Shopping's 2018 Vision Global Top 5, we carry out intensive and professional trainings in each country specific capability and knowledge.

◆ Lotte Department Store Training Process



◆ Lotte Mart Training Process

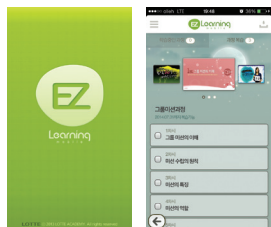




Workshop of Distribution University



e-learning Training



Mobile e-learning

◆ 2012 Total e-learning course enrolled

11,563

 times

◆ 2012 Administration Status of e-learning (unit: in million won)

Category		2	3	4	5	6	7	8	9	10	11	12	Total
Reading	Number of courses	39	43	50	13	15	106	82	101	346	89	13	897
	Expenses	1	1.7	1.5	0.3	0.3	3.1	2.3	3.0	10.4	2.3	0.3	26.4
Cyber	Number of courses	1,275	730	1,183	333	666	356	323	269	301	1,514	2,068	9,018
	Expenses	62.2	41.9	66.8	20.5	36.1	20.8	18.7	15.6	19.9	62.1	85.2	449.8
Language by phone	Number of courses	191	128	240	136	190	161	154	109	142	94	103	1,648
	Expenses	19.8	13.7	24.7	14.8	19.8	16.5	16.1	11.5	14.6	9.9	10.8	172.2
Total	Number of courses	1,505	901	1,473	482	871	623	559	479	789	1,697	2,184	11,563
	Expenses	83.4	57.3	93.0	35.6	56.2	40.3	37.1	30.1	44.9	74.3	96.3	648.4

Nurturing Distribution Professionals

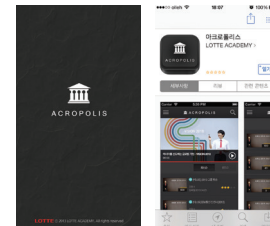
Lotte Department Store has dedicated to foster distribution professional employees with a broad understanding and expertise and has governed [Lotte Distribution University] sine 1994. For those Grade SA/A employees with challenge spirit and enthusiasm, Lotte Distribution University offers blended learning programs once a year including 1-year-cyber-training, group training, site visit research, overseas training and subject study. (※ Blended Learning: online and offline training) The Distribution University, the first alumni of 28 people in 1995, has produced a total of 602 alumni by 19th graduation and now 35 people enrolled for the 20th term in 2013. In addition, by presenting research theme every year and selecting five to six in-depth distribution strategy researches, they generate new ideals of growth engine and business improvement of Lotte Department Store.

Lifelong Learning Program

To satisfy employees' learning needs and support their lifelong learning, Lotte Department Store offers a 4-year internal university program to holders of degrees from a 2-year junior college and high school graduates. Available to personnel of Lotte Shopping and vendors' employees (co-workers), these programs are intended to give motivation and boost loyalty among workers. An undergraduate course has been jointly run with Kyung Hee University since 2006. Totally 164 individuals have completed the program and the current enrollment is 68. In the meanwhile, the cyber program with Seoul Digital University was launched in March 2009 and more cyber programs have been available since March 2011 when we started opening courses at Kyung Hee Cyber University, Hanyang Cyber University, Sejong Cyber University, and Cyber Hankuk University of Foreign Studies. To encourage employees to participate in these programs more actively, we give benefits of tuition fee cut by 30% to 50%.

E-learning Training System

Lotte Shopping operates the e-learning training system for employees and encourage them to commit self-development regardless of time and place. The e-learning program offers average 500 courses to build up global capability in global leadership and language course and to improve job enrichment in business administration, job development, computer course, etc. and more than 1,000 employees per month enroll and dedicate self-development courses. In addition, we try to accommodate employee's needs and trends and add up new courses. Recently, our employees want to improve foreign language skills by telephone language learning program, we have introduced various language courses in English, Chinese, Japanese, etc. And also, we have introduced a mobile e-learning program since 2013 so our employees can access to the learning program anywhere and anytime.



Mobile Training Center 'Acropolis'



Lotte Department Store With Book Website



Smart Library "Mongdang Library" Website

◆ Status of 'Mongdang Library' Use

Category	Quantity	Average per person
Rent (book)	5,662	1.7
Amount (thousand won)	8,985	2.6

※ Duration: September 2012 ~ April 2013

Mobile Training Center "Acropolis"

Lotte Shopping has developed the mobile training center "Acropolis" in December 2011 and it offers various categorized courses away from conventional computer based online training system. With respect to a total of 30 million smart phone users, we have identified our employees' self-development needs by utilizing smart phones and have offered a mixture of 2,400 mobile courses including business skills, professional job training, leadership, insight, life, etc.

Self-Reading System "With Book"

"With Book" is an internet book store launched in February 2011 and an autonomous self-reading program to promote creative innovation and self development apart from previous passive reading communication training. Previous reading training merely borrowed a book once a month with two month learning and reading program whereas this new internet bookstore offers various books they want to select all the year round, and to report its review within 50 days of payment; therefore, employees are committed to reading motivations, planning for self-directed reading and enhancing expertise.

Smart Library within the staff's life "Mongdang Library"

Lotte Department Store's e-library 'Mongdang Library' was launched in September 2012 and it means "Make my dream proud with book land". Lotte Department Store aims to promote our employees to use their free time more efficiently and effectively by utilizing the electronic library, especially when they use public transportation and have 5-day-work week. All employees at home and aboard allow them to read a wide range of popular books and corporate information that is readily available for them by using this library.





Lotte Department Store, Grand Prize of Family-Friendly Management Award



Family-friendly company logo



Lotte Department Store, Eco Nursery (external view)



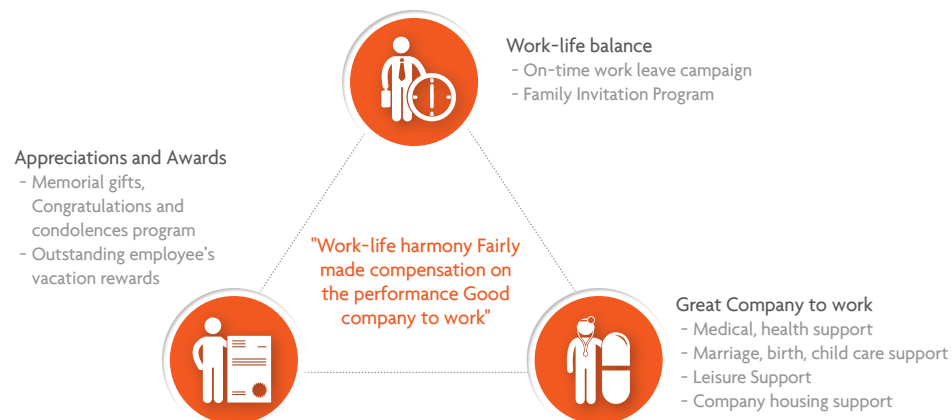
Lotte Department Store, Eco Nursery (internal view)

Work & Life Balance

Family-friendly Management

Lotte Shopping has introduced family-friendly management to achieve a balance between work and their personal lives. During the holiday season in each year, we operate Summer Resorts including auto camping, caravans, pension, and further we offer various activities such as BBQ party, trout catching, corn picking and other various outdoor experiences. We also organize family programs like baseball group tour, cinema day and various cultural experiences. Throughout these activities, Lotte Department Store attained a certification of family-friendly management by the Ministry of Gender Equality and Family in 2009 and recertified in 2012. In addition, we were awarded with the grand prize of Family Friendly Management Award by the Ministry of Gender Equality and Family in May 2013. Likewise, Lotte Mart has implemented various programs including Family-love holiday, daily work experience with family, early work leave every month and it has attained a certification of Family Friendly Management and a commendation of Family Friendly Company Award.

◆ Family-friendly Management Policy



Childbirth and Parenting Welfare Program

Lotte Department Store operates childcare classes for pregnant employees and supports transportation cards 30 days before her due date. We have also a training program for maternity leave employee who restarts to work, for adopting and adjusting her job quickly. As part of family-friendly policy, we have a support program for employee with multi-child and pay a special bonus upon birth and support educational expenses from kindergarten to university in order to balance between work and family. In the meantime, Lotte Mart also offers a flexible working hours for pregnant employees from the recognition time to six month after the birth.

Eco-friendly Childcare Center

Lotte Department Store operates two company nursery centers "Lotte Department Store Nursery" for female employees to relieve the burden of the childcare and to concentrate on the job. Considering the opening hours of department stores, the center operates extended hours and on holidays and provides free dinners and operates shuttle bus. We have customized nurturing systems and supporting schooling expenses to aggressively participate and resolve low birthrate issue.

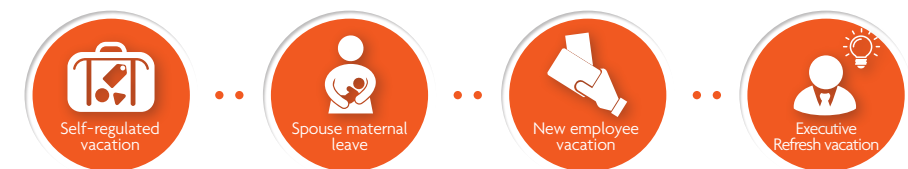


Summer Resorts

Establishing Autonomous Annual leave/Time off Culture

Lotte Shopping has established family friendly corporate culture offering with various vacation programs in child admission and graduation vacation, spouse parental leave and various occasional vacations. Starting from 2013, we have introduced various self-regulated time off culture such as women friendly annual leave, self-regulated vacation program, new employee vacation and annual leave giving program to make our employees take some time off to relax and refresh themselves.

◆ Status of Employee Welfare and Leave in Lotte Department Store



Supporting Children's Schooling and Family Medical Expenses

Lotte Shopping is administrating various employee benefit programs in supporting for children's schooling expenses from kindergarten to university and medical expenses of employees, spouses and children. In 2012, Lotte Department Store has paid a total of 1.8 billion won for 2,978 employees' schooling expenses while Lotte Mart has paid a total of 997 million won for 2,177 employees' schooling expenses. Moreover, Lotte Department Store has supported a total of 370 million won of medical expenses for 499 employees and their families whereas Lotte Mart paid a total of 593 million won for 563 employees in 2012.

◆ Lotte Shopping 2012 Status of Children Schooling Expenses Support (Unit: in million won)

Department Store (FY2012 2,177 people, 997 million won)

Quarter	University	High School	Middle School	Kindergarten	Total
Q1	237	44	3	64	348
Q2	10	78	5	66	159
Q3	202	76	9	64	351
Q4	2	68	1	68	139
Total	451	266	18	262	997

Mart (FY2012 2,978 people/ 1,799 million won)

Quarter	University	High School	Middle School	Kindergarten	Total
Q1	515	111	8	89	722
Q2	5	120	7	78	210
Q3	462	119	5	73	658
Q4	26	109	-	75	209
Total	1,007	458	20	314	1,799

◆ Lotte Shopping 2012 Status of Medical Expenses Support (Unit: in million won)

Department Store (FY2012 499 people/ 370 million won)

	Category	Employee	Spouse	Children	Total
2010	Number of People	239	104	145	488
	Amount	176	77	76	330
2011	Number of People	244	89	130	463
	Amount	177	86	55	317
2012	Number of People	263	102	134	499
	Amount	203	93	74	370

Mart (FY2012 563 people, 593 million won)

	Category	Employee	Spouse	Children	Total
2010	Number of People	224	95	82	401
	Amount	244	108	62	414
2011	Number of People	264	139	110	513
	Amount	259	170	94	524
2012	Number of People	303	150	110	563
	Amount	329	155	109	593



Healing Center Poster

Operating Employees Mutual Aid Society

Lotte Department Store has introduced the first in the distribution industry, the Mutual Aid Society for our employees, in 2013. By operating this employee Aid Society, we can provide the comprehensive service including dispatching funeral specialist, preparing funeral supplies and limousine service at time of family bereavement with employee, parent, spouse, spouse parent and children. We have prepared a welfare program when help is needed for our employees as well as moral support.

Creating Healthy Workplace Campaign

Lotte Mart promotes various campaigns to improve employee's health like "having breakfast before punching in" and "Non-Smoking/Diet fund". Non-Smoking Fund is now its 3rd term and 27.5% of non-smoking fund participants has succeeded with quitting while 42% of diet fund participants has succeeded: so it helps to improve our employees health.

Operating Healing Center

Since 2001, Lotte Department Store has started with grievances counseling for employees in working conditions, sexual harassment and improvement of labor conditions; and then we have changed its name from 'Sharing Room' to "Healing Center" in 2012 and repositioned its purpose from simple grievances counseling room to professional psychological counseling center. Along with rapid social and environment changes, our organization also has faced diverse personal psychology needs and resolutions for conflicts between hierarchies; and further to ensure healthy communication between employees in order to look after our employees' emotional stability. Currently, there are 37 professional counselors and an annual average of 10,000 counseling were conducted. In addition, we have provided assorted healing programs (healing therapies, healing inquiries, EFT techniques and educational process with psychological themes) to ensure our employees maintain and manage their best physical and mental health.



Healing Center Counseling

◆ Main Responsibility of Healing Center

Professional Counseling

Job-related

- Minnesota Multiphasic Personality Inventory (MMPI) for Executives
- Personality Type Test (MBTI/MMTIC)
- Carrier aptitude and Barrier Inventory (STRONG)
- Grievances within the Company (Environment, Treatment, Suggestions)
- All employees required 1:1 Counseling

Personal emotions

- Mental Health (depression/ stress) Exam (SEMIS)
- Crisis Management prevention (suicide, addiction, etc.)
- Family issues (couple/child care, etc.)
- New migrants adapt counseling

Healing Program

- Healing program (Healing Therapies, sensitivity, meditation, etc.)
- Psychological Themes Open lecture
- Healing lecture (short & Long colleague)
- Staff psychological healing education
- Respectful and consideration culture education

Other

- Identifying employee pre emotions (complete in shop, atmosphere)
- On-site feedback for system improvement and employee benefits status
- Visit and interview with regional migrant employees
- Regular meetings (monthly/quarterly)
- Biweekly visit Young Plaza/ Outlet

◆ Status of Healing Center Counseling by Year (unit: number of cases, people)

Year	Grievance Type					Employment Type		
	Personal	Work environment	Job	Interpersonal	Mandatory/ Psychology	Colleague	Full-time	Temporary
2010	820	1,775	220	209	543	1,481	1,682	404
2011	4,012	4,164	1,035	784	1,282	2,239	7,973	1,065
2012	4,274	4,741	1,093	929	5,209	5,394	8,244	2,608

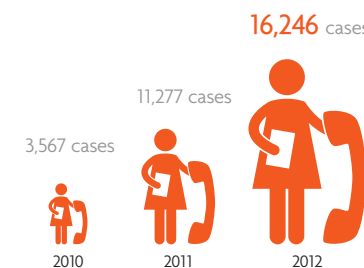
◆ Status of Healing Center Counselor Certification Acquisition

Category	Professional Counselor	Arts Psychology	Career, Career Interests STRONG	Personality Type Test (Enneagram)	Personality Type Test (MBTI)	Teenager Personality MMTIC	Interpersonal FIRO-B	Healing Program EFT	Other
Acquisition Status	37	10	6	12	27	10	10	9	6

Grand Prize of Korea 100 Great Work Place Award [Two Consecutive Years]

Lotte Department Store was awarded the grand prize in the distribution sector of Korea 100 Great Work Place Award for two consecutive years and it was part of our tremendous effort to achieve trust management and to build good corporate culture. We have received high score in major evaluation criteria such as trust in management and superior and pride in work and organization and fun place to work with colleagues with a variety of beneficial programs; and it reflects and reassures the Company with true confidence by our employees who are also our internal clients.

◆ Healing Center Counseling Cases (FY2012)



Grand Prize of 100 Great Work Place

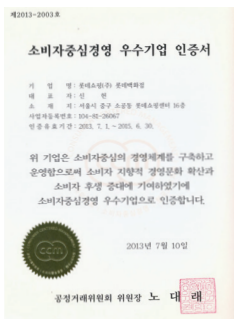


Sustainability Issues in Customer

Our customer-first management philosophy mandates us to first identify their needs, provides high quality services, and maximizes their satisfaction.



Customer Service Charter



Certification of Excellent Customer-oriented Corporate Management

◆ Status of Lotte Mart Service Monitoring Program



Housewives monitoring
Appointing Housewives and service quality evaluation by store



Customer Survey
Conducting directing customer survey by customer satisfaction manager by store



VOC Rating
Selecting key customer's complaints and following evaluation

Lotte Shopping's Customer Service Charter

Lotte Department Store has declared the service standard for all employees to practice internally and around the world to emphasize its importance of customer-first management and enhancement of service quality. For this, we have established the "Customer Service Charter" for each and every employee to pursue.

Acquiring CCM Certification

Lotte Department Store adopted CCMS in June 2008 and built a companywide preventative internal control system and autonomous management system for customer complaints. In recognition of our efforts, we became the first department store in Korea to acquire CCMs certification in July 2009. Throughout this process, Lotte Department Store has increased customer satisfaction and service competitiveness by reducing a root cause of customer discrepancies or damages and reinforcing preventive actions. Lotte Department Store has positioned as the leading company for customer oriented management by acquiring the certification in 2011 and reacquiring in 2013.

Enhancing Customer Satisfaction

Lotte Department Store continuously checks customer satisfaction levels and operates service monitoring programs to explore customer voices and to enhance service quality. By executing Service 3C Clinic, we strive to improve our general attitude of service and customer service inconveniences by surveying each branch. Thanks to continued efforts for communicating with customers and service improvements, Lotte Department Store ranked no.1 for 10 consecutive years in the National Customer Satisfaction Index (NCSI) survey in the department store category. At the same time, Lotte Mart has also addressed problems by CS consulting and has conducted improvement actions with identified agenda by each team and on-site oriented CS actions: thereby, it has ranked No. 1 for two consecutive years in NCSI.

Service Webzine

Lotte Department Store has published the Service Webzine once a month to improve service mind and guide the service standards. Through this Webzine, we introduce excellent service personnel as "Service Master", and an outstanding service store as "Proud of Store" which are good examples of the benchmark and we further offer many other rich contents that are adored.



The First Cover of Service Webzine



Department with Beautiful Smile Campaign Poster

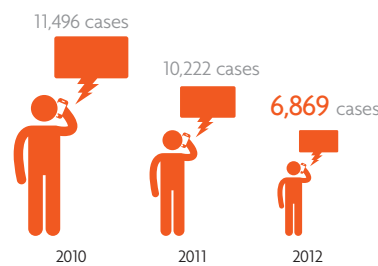


Lotte Department Store VOC System



Mobile Customer Center

◆ VOC Unsatisfactory Cases



Department with Beautiful Smile Campaign

Lotte Department Store dedicates to achieve competitive service by conducting "Creating Department with Beautiful Smile" campaign. We have installed "Smile re-Check Zone" in the staff entrance to check appearance and attire before greeting customers and we broadcast to practice smile and face composure before opening. Our monthly service Webzine features various information on how to make beautiful smiles and face composites and we even reward a smile leader in each branch. In the end, we try to boost their self-esteem by providing the smile leader badge to wear and the plaque to present in associated brand store.

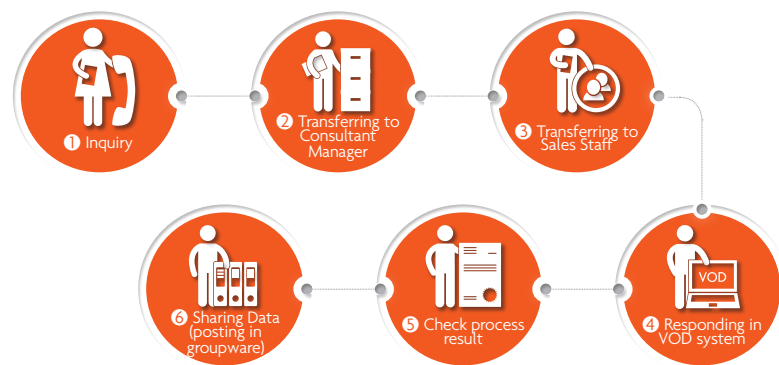
VOC

Lotte Shopping is utilizing VOC online system to receive customer opinions more promptly and accurately and to improve our services by analyzing its data. In May 2011, we have expanded it to mobile customer center. In order to accommodate increasing smart phone users and its trends, we have established the mobile customer center that is now the optimized channel to receive various opinions of young customers.

◆ Status of VOC Handling Cases in Lotte Department Store

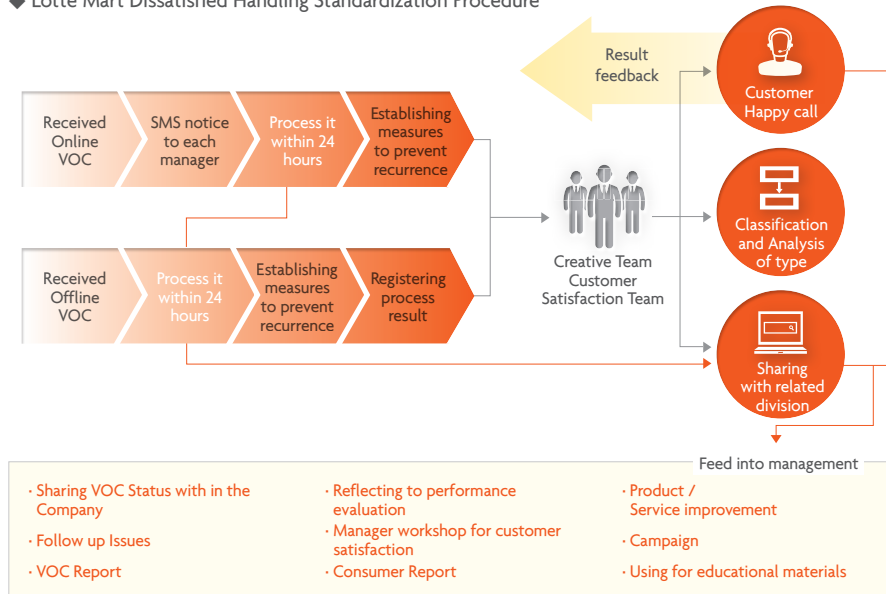
Category	2010		2011		2012	
	Cases	Ratio	Cases	Ratio	Cases	Ratio
Satisfactory	2,024	7.7	2,188	10.1	1,890	10.9
Unsatisfactory	11,496	44.0	10,222	47.2	6,869	39.6
Poor response	4,245	16.3	3,968	18.3	2,610	15.1
Exchange/Refund	932	3.6	703	3.2	629	3.6
Product defect	1,143	4.4	1,031	4.8	547	3.2
Unkind	759	2.9	474	2.2	359	2.1
Shopping information	937	3.6	756	3.5	603	3.5
Appointment failure	391	1.5	295	1.4	224	1.3
Other	3,089	11.8	2,995	13.8	1,897	10.9
Simple inquiry	12,600	48.2	9,262	42.7	8,566	49.4

◆ VOC Handling Process





◆ Lotte Mart Dissatisfied Handling Standardization Procedure



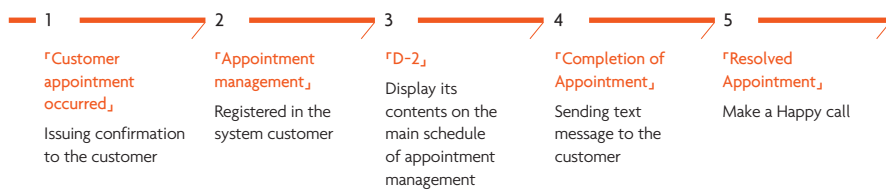
Operating VOC Headline

Lotte Department Store has introduced VOC Headline to the entire employees to recognize its importance of customer's voice and to draw their attention to prevent customer complaints. VOC Headlines collected from each branch present them as scrap format in the Groupware so all employees can easily view customer's complaints and therefore improve them.

Appointment Management System

Lotte Department Store has introduced the appointment management system for a rigorous management of customer appointment. Our appointment management system is an integrated managing system on the database of customers' appointments by each team leader. It is designed to build our credibility and to prevent customer complaints by checking and managing information on appointment progress and achieving our promises; and our customers can follow its progress as well. The appointment management system is to prevent any missing or forgotten appointments in advance; and to improve customer's loyalty and satisfaction that may avoid secondary complaints.

◆ Lotte Department Store Appointment Management Handling Process



※ If an appointment is not resolved, promptly contacting the customer for understanding or consent.

◆ Detailed features of Appointment Management System

1. Item ordering appointment management due to out of stock
2. Product A/S appointment management
3. History of appointment management



Appointment Inquiry Screen of Appointment Management System

Customer Relationship Management

Operating Integrated Membership Program

By utilizing Lotte members' cards, Lotte Shopping has accumulated the information of CRM to perform the comprehensive analysis of it purchase patterns and lifestyle. With this accumulated information, we provide customized services to customers in DM mailing and return management, offering various promotional events and invitations, selecting best customers and providing benefits.

◆ Customer Management by CRM System

Category	Main contents
Alienating warning system	Predicting alienating possibility by utilizing personal purchase cycle Taking preventive action by alienating risk rate and phased differentiated management
Kids Club System	Analysis of purchase patterns on child and family members and differentiated kids marketing Establishing a basis of future customers and kids target marketing
Wedding Members Management System	Analysis of purchased products and cycle by Wedding D-Day Customer targeting and offering by estimated time line by products
Moving Customer Management System	Estimated moving customers by address change and purchase analysis and targeting Sending out customized DM on appliances and furniture
MVG Hobby Information System	Systematic management by MVG hobby segmentation Offering customized benefits and products DM by analysis of hobby related products purchase patterns
Return DM Notice System	Sending SMS to change address when registered return DM Ensuring marketing targets with customer's information updates

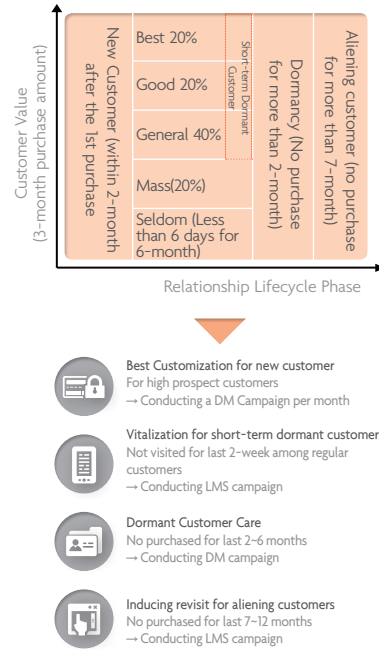
Customer Segmentation Management

Lotte Department Store has first introduced the customer data warehouse in 1999 and continuously modified the system to the current CRM system to exploit its customer segmentation management. This CRM System can be categorized not only by demographic factors in age, occupation, residence, etc but also by its characteristics in buying power, loyalty level and time-specific purchasing possibility. Therefore, we can present differentiated and valued service and products in accordance with customer characteristics that enables us to manage best customers. Lotte Mart, on the other hand, classifies and manages by customer life-cycle and offers tailed services by each phase.

Operating Commercial Zone Management

Lotte Mart conducts the customer relationship management with Geographic information system (GIS) technology combined with the existing member's database and external data in order to analyze regional sales and to build up customer relationship in each store. In the past, it has mainly relied upon commercial area concentric method, but now with intense competition and increase numbers of large discount stores urge us to increase the needs of scientific analysis of local commercial area. The GIS technology development in chorus, we have established the sales analysis system with 10 million customer database along with external data and it enables sales analysis by the administrative district. Currently, we use it as commercial area research, leaflet zone management, commercial zone setting and DM and SMS management.

◆ Lotte Mart Relationship Lifecycle Segmentation and Customized Management by phase



◆ Lotte Mart Commercial Zone Management System with GIS





Customer Communication



“Sonkeun” Half and Half Pizza reflecting customers’ opinion

◆ Accumulated Suggestions of “Shopping Campaign” (FY2007~FY2012)

71,005 Cases

Internal and External Feedback of Customer Information

Lotte Mart has introduced and operated the Voice of Customer Committee to handle and to resolve initial complaints by customers which is proactive countermeasures. This Voice of Customer Committee devotes actively to reflect customer’s information to management activities along with coping with customer’s complaints. The best practice by this committee has decreased the receipt paper procurement cost by 400 million won by reducing the length of receipt and it has also increased sales of pizza by introducing two different pizzas in one menu which boost up tremendous customer satisfaction as well.

Shopping Campaign

Lotte Mart has engaged the “Shopping Improvement Activity” to identify inconveniences by customer’s point of view for further improvements and to distribute its best practices. All employees actively seek to increase customer value by utilizing proposals of “Shopping like a customer” and self-improvement job suggestions. It is considered as the corporate-level CS innovative campaign because, it is the first implementation that employees and their families actually go for shopping as using customer’s point of view identifying issues to improve and sharing them on internal bulletin board. By the shopping campaign, we have registered a total of 71,005 cases of suggestions and 21,776 cases have been improved..

◆ Operating Status of “Shopping Campaign”

Category	Number of Suggestions	Number of Improvements	Ratio	Financial Gain (unit: 100 million WON)
2007 (6~12)	2,233	378	17%	-
2008	6,972	1,392	20%	-
2009	8,316	2,304	22%	25
2010	22,992	8,892	39%	42
2011	18,043	8,810	49%	68
2012	12,449	5,293	43%	28
Total	71,005	21,776	35%	163

◆ Milestone of Lotte Mart Shopping Campaign



CEO participating for Shopping Campaign in Lotte Mart



Membership Card of “Multi-Child Club”



Promotional Picture of “Multi-Child Club”

◆ Communication Structure of Shopping System



“Multi-Child Club” that reflects customer needs

Lotte Mart operates “Multi-Child Club” as part of membership services to support more than two children that are entitled to have product discounts and discounts offered by affiliates. Eligible customers for the Club are those who have more than two children under the age of 13 and including pregnant women with the 2nd child. Distinguished from existing distributor’s toddler clubs, we offer all year around discounts for customized products and its eligibility is limited to multi-child family with more than two children.

◆ Membership Benefits of Multi-Child Club

Category	Details
Products Discounts	Offering additional 10% discount on 1,000 products (Participated by 20 Brands) - Planning for increasing up to 2,000 products by 2013
Additional benefits by credit cards	Offering a gift certificate of 5,000 won when purchasing more than 50,000 won and paid by BC and Lotte Cards
Service benefits	Benefits offered by four affiliates (planning to increase to 10 affiliates by 2013) Offering Discounts on Lotte Mart Kids facilities and Cultural Center Registration Offering benefits for joint-facilities like Kids Parks, Theaters, etc.)
Child birth Benefits for Multi-Child family	Offering the special coupon book of 200,000 won when giving childbirth after the 3rd child (One year discount coupons for Powdered milk, wet tissue, diapers, etc.)



Customer Information and Safe Shopping Environment

Lotte Shopping regards the personal information of all customers as invaluable assets and commits to manage them safely and effectively. In light of the increasing number of customer information leak and hacking incidents, Lotte Shopping takes every cautious measure to prevent relevant incidents.

Information Protection Policy

Lotte Shopping has established “Personal Information Management Policy” in compliance with “Personal Information Protection Act” and “Information and Communication Network Utilization and Information Protection Act” and all relevant customer information regulations. In the “Personal Information Management Policy”, we guideline the whole procedures from collecting, using, delegating and destroying of personal information and we have online published so anyone can access to view the guideline.

Employees Training and Campaign Performance

Lotte Department Store conducts continuous self-training and inspection to reinforce information protection mind for all employees. Since 2010, the first Friday of the month appointed as Information Protection Day to inspect by self check list in 12 categories including PC management, office security, etc. in order to protect customer information and the Company’s confidential information. In addition, for prevention any incidents like customer information leakage in advance, the employees that come into direct contact with customers such as national sales team, MVG lounge, cultural centers, etc., we inspect the status of customer information management and continue to train and to enhance awareness of information protection.

Grand Prize of Personal Information Protection by Korea Internet Security Agency

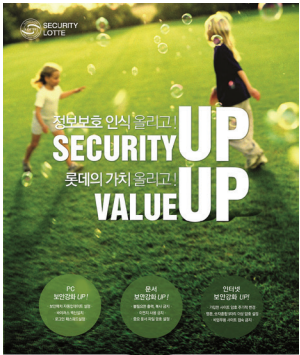
Lotte Department Store has retained the grand prize of personal information protection by Korea Internet Security Agency in February 2012 hosted by the Korean Council on the Protection of Personal Information (KCPII) in recognition of our contribution to develop of the personal information security. With respect to the inspection on corporate administration of information protection and management by the Korea Internet Security Agency along with KCPII, receiving the grand prize demonstrates itself to prove that we are an excellent exemplary of managing on personal information protection.

Retaining ISO27001 Certification

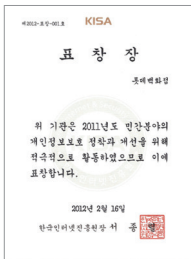
In February 2011 marked the first-in-the-industry certification of Lotte Department Store for ISO27001, an international standard for information security management system (ISMS). This certification reaffirmed the global level of information security system that we had to undergo a rigorous screening process by BSI Korea.

Creating comfortable business environments by air quality management in workplaces

For providing comfortable indoor environment for our customers and employees, we have regularly measured and managed key air quality criteria in stores and indoor parking lots.



Lotte Shopping's Poster of Information Protection Day



Grand Prize of Personal Information Protection by Korea Internet Security Agency



ISO27001 Certificate

◆ Element Measures of Air Quality Management

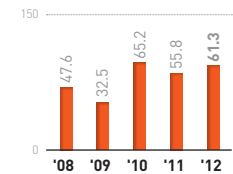
Measuring Duration	Measuring Criteria		Applicable Laws	Measurement
February to May 2012	Maintenance Standards (4 criteria)	Carbon Monoxide, Fine Dust Particles, Carbon dioxide, Formaldehyde		Measurement once a year in accordance with Indoor Air Quality Management Law for Multi-use facilities (conducting measurement between February to June every year)
	Recommend Standard (5 criteria)	Asbestos, Ozone, Radon, Nitrogen dioxide, Volatile organic compounds (VOC)		Air conditioner filter management by all stores (periodically cleaning and Replacing), the effective ventilation management to meet the Legal pollutants criteria
				1. in compliance with "Indoor Air Quality Process Method" by the Ministry of Environment 2. in compliance with "Indoor Air Quality Measurement Specification" by the Company
			Reduction Measures	HVAC filter management enhancement, Ventilation Reinforcement, Parking Lots Management, Prohibition of Vehicle idling, etc.

◆ Measurement Target for Air Quality Management

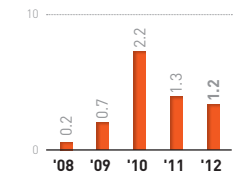
Conducting measurement for operating stores and indoor parking lots by area mass
- Less than 10,000㎡ : 2 stores
- 10,000~20,000㎡ : 3 stores
- More than 20,000㎡: 4 stores

◆ Measuring Results of Indoor Air Quality in Lotte Department Store

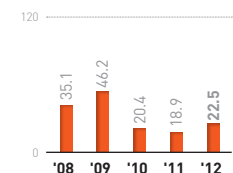
1. Fine Dust Particles (Legal Standard: 150μg/㎡)



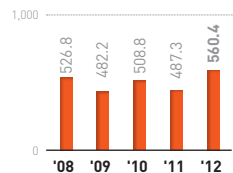
2. Carbon Monoxide (Legal Standard: 10 ppm)



3. Formaldehyde (Legal Standard: 120 um/㎡)



4. Carbon Dioxide (Legal Standard: 1,000 ppm)



Safety Management Inspection Rounding

By increasing safety awareness through encouraging seasonal safety inspection rounding, we conduct a quarterly safety inspection by theme to reduce the Company risks and to prevent various accidents like fire as part of strategies to improve our competitiveness. With this safety management, Lotte Department Store has rewarded for best firefighting performance store by the Ministry of Public Administration and Security in 2012. (Busan Head Office, Young Plaza Cheongju Branch)

◆ Seasonal Safety Inspections by theme

Time	Details	Remarks
Q1 (Jan. ~ March)	Electrical thermal imaging measurement for contact failure and overheating (1st)	Common Checks
	Freeze and Burst Check during thawing season and environmental improvement action	· Construction worksite inspection
Q2 (April ~ June)	Fire extinguishing and gas facility inspection	· Firefighting facilities inspection
	Generator operation inspection by conducting virtual blackout	· Hazardous materials management inspection
	Inspection Escalator and its cleanliness	
Q3 (July ~ Sep.)	Safety inspection and equipment preparation for storms and floods	
	Electrical thermal imaging measurement for contact failure and overheating (2nd)	
Q4 (Oct. ~ Dec.)	Safety inspection for susceptible area for winter and status check for heating ppliances	
	Electrical thermal imaging measurement for contact failure and overheating (3rd)	
	Fire drill competition (October) to prepare fire accident	
	Special fire prevention training to increase employee safety awareness	

Creating a safe and happy shopping

Lotte Shopping strives to create a safe and happy shopping amenity for customers. Lotte Department Store with 35 stores has retained 「1st」Certificate of Excellent Shopping Store by the Korea Tourism Organization and the Ministry of Culture-Sports for domestic and foreign tourists to enjoy safe shopping. This certificate confers a shopping store with outstanding store environment, products and kind services. In addition, nine stores in Seoul have retained Certification of “Women Travel in Seoul” that is based on the evaluation of “Tour Facilities Certification Guideline” by City of Seoul and related experts for installation of toilets, parking, etc. and consideration of women safety and convenience. With respect to disabled, the elderly, pregnant women and general individuals, we have also acquired the “Seoul Barrier-Free Building Certificate” by City of Seoul to certify its accessibility to facilities and installation and management of adequate amenities with convenience.



THINK EQUAL PROJECT



At Lotte Shopping, we endeavor to minimize the environment impact by conducting various actions in energy, greenhouse gas emission, water usage and waste management.

With this invaluable regards, we commit to develop sustainable products and to expand its product proportion, to induce sustainable consumer culture, to effectively manage our input elements on sustainability and to maximize the performance.

Lotte Shopping devotes to encompass interest from business to environment and society so our beneficiaries actually gain from our activities which further revert to our sustainability.



Environmental Policy

In the global distribution industry, Lotte Shopping devotes to lead “Green Distribution” to minimize the environmental impacts and to spread out the value of “Green” with producers and consumers. For this purpose, we internally set the first and foremost priority in decision making process on environmental value, and outwardly we commit to create essential environmental value for customers and consumers and people and nature.

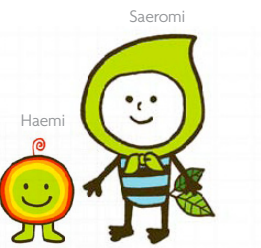
Environmental Management Policy

With respect to customer-centric philosophy, Lotte Department Store as a leading Korean distribution industry, declares the Environmental Management Policy to ensure mutual sustainable growth in society and corporate as follows.

1. By environmental management, we commit to change the domestic distribution market in more environmental friendly way and to become a global eco-friendly distribution enterprise.
2. We commit to provide various products and living culture induced with environmental value to our customers and to recommend eco-friendly consumptions.
3. With sharing environmental management with suppliers, we commit to encourage them towards the environmental management.
4. We commit to execute continuous environmental improvement activities to reduce environmental waste and resources.
5. We commit to establish and execute the firmer internal standard than the compliance of environmental laws.
6. With respect to participate various environmental protection activities with the environmental fundraising, we commit to inform the importance of the environment, particularly throughout Climate Change Prevention Campaign to customers and society.

Practices of Leading Green Distribution

Green LOTTE is the environmental slogan of Lotte Department Store. As a leading distribution company in Korea, Lotte Department Store will disseminate “Green Value”, representing our strong intention of environmental management throughout the network.



◆ Green Lotte Character

“Saeromi” and “Haemi” are green Lotte characters in Lotte Department Store. A green leaf-shaped “Saeromi” is designed based on a motif of a new pear leaf which means a new and beautiful beginning of nature. A round face “Haemi” is designed based on a motif of the cozy Sun that shines upon the Earth which represents Mother Nature growing with unlimited nutrition and love by the Sun.

Environmental Management System Certificate

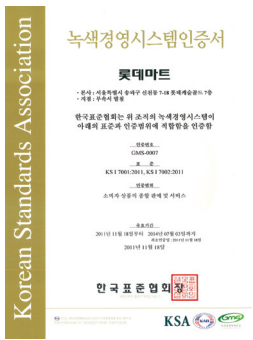
Lotte Department Stores has completed the renewal audit for International environmental management system (ISO14001) for headquarters and branches in November 2011. ISO14001 is the advanced environmental management system that is set for the international system standard in terms of corporate environmental management and it aims to monitor corporate business activities and to reduce environmental load. In addition, Lotte Mart has certified for the Green Management System in November 2011, the first in the distribution industry. This certification encompasses the concept of environmental management system with green house gas and social responsibility.



Green LOTTE Slogan



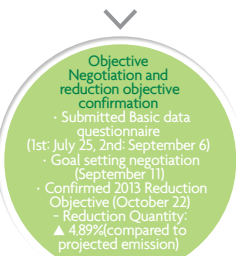
ISO14001 Certificate



Green Management System Certificate



◆ Execution Details of 2013 GHG Objective Management



MRV Website

Management

Conducting Greenhouse Gas Objective Management

Lotte shopping, as a subject to the greenhouse gas objective management, commits to achieve the corporate reduction goal. With this effort, Lotte Shopping has retained for the Best Practice Award by the Ministry of Land, Transport and maritime Affairs in December 2012.

◆ 2013 GHG Reduction Objective Management by Company (Unit: tCO₂)

	No. of Stores	2013 Projected Emission Quantity	Confirmed Emission Quantity	Objective Reduction Quantity
Department Store	43	385,368	366,538	18,830
Mart	116	365,566	347,703	17,863
Super	465	72,256	68,725	3,531
Cinema	65	57,407	54,601	2,806
Total	689	880,597	837,567	43,030

Established Greenhouse Gas Inventory

Lotte Shopping has established a greenhouse inventory to identify and mitigate its greenhouse gas emissions. Greenhouse gas inventory is a system that allows a company to identify its direct and indirect source of GHG emissions generated within the defined scope of business activities. For effective management and data calculation, we have developed and operated MRV system for managing greenhouse gas and energy inventory since July 2011 and dedicating corporate level effort to achieve the reduction goal.

◆ GHG and Energy Objective Management System Function (LOTTE MRV)



Energy Management

Greenhouse gases emitted from Lotte Department Store and Lotte Mart are mostly indirect emissions from electricity used at stores. Lotte Shopping sets annual energy and fuel reduction targets as part of its efforts to heighten energy efficiency through such actions as facility replacement, strengthened energy management standards and internal awareness campaigns. Reduced energy consumption not only leads to a smaller carbon footprint but also substantial cost savings.

GHG Reduction Management

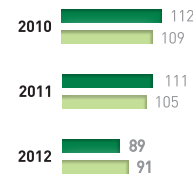
The GHG emissions for Lotte Department Store and Lotte Mart generated 620,000 tCO₂ in 2012, slightly increased from 610,000 tCO₂ in 2011. Although total emissions increased due to new store opening, the emissions per unit area were actually on a downward trend.

◆ GHG Emission

Year	Lotte Department Store			Lotte Mart		
	GHG emissions(ton)	No. of stores	Per unit area (kg / m ²)	GHG emissions(ton)	No. of stores	Per unit area (kg / m ²)
2009	242,092	29	117	251,186	70	104
2010	256,875	31	112	312,622	89	109
2011	276,953	34	111	337,299	96	105
2012	305,840	43	89	316,536	103	91

◆ GHG Emissions Per Unit Area (Unit: kg / m²)

■ Lotte Department Store ■ Lotte Mart



Electricity Consumption Reduction

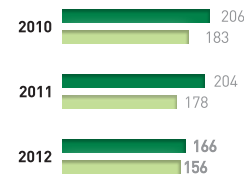
In 2012, Lotte Department Store and Lotte Mart consumed approximately a total of 1,110,000 Mwh of electricity. Even though it was somewhat increased from a total of 1,090 Mwh in 2011, the increase was largely due to the opening of new stores and our actual power consumption per unit area has been mostly declined.

◆ Electricity Consumption

Year	Lotte Department Store			Lotte Mart		
	Total electricity consumption(Mhz)	No. of stores	Per unit area (kwh / m ²)	Total electricity consumption(Mhz)	No. of stores	Per unit area (kwh / m ²)
2009	450,220	29	217	455,760	70	189
2010	475,091	31	206	526,200	89	183
2011	512,098	34	204	574,939	96	178
2012	567,921	43	166	544,129	103	156

◆ Electricity Consumption Per Unit Area (kwh / m²)

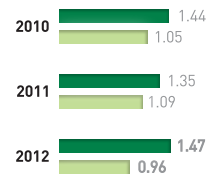
■ Lotte Department Store ■ Lotte Mart





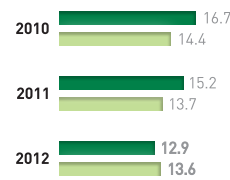
◆ Water usage Per Unit Area (ton/㎡)

■ Lotte Department Store ■ Lotte Mart



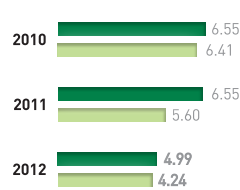
◆ Waste Generation Per Unit Area (kg/㎡)

■ Lotte Department Store ■ Lotte Mart



◆ LNG Usage Per Unit Area (Nm³/㎡)

■ Lotte Department Store ■ Lotte Mart



◆ Lotte Shopping Waste Recycling Ratio during the Last three years

68.7%

(※ 170,000 tons out of the total waste of 250,000 tons)

Water Usage Reduction

Lotte Shopping's total water usage in 2012 amounted to 8,393 thousand tons, representing a 21.7% rise from 6,895 thousand tons in 2011. Opening of new stores for Department stores and Marts was attributable to the increase in water usage. Water usage per unit area for Lotte Department Store increased by about 8.8% from 2011 and for Lotte Mart it decreased by 12% from 2011. Lotte Shopping dedicates to reuse and continuously introduce environment-friendly facilities to reduce its water usage.

◆ Water Usage

Year	Lotte Department Store			Lotte Mart		
	Total water usage (thousand tons)	No. of Stores	Per unit area (ton/㎡)	Total water usage (thousand tons)	No. of Stores	Per unit area (ton/㎡)
2009	3,089	29	1.49	2,993	70	1.24
2010	3,323	31	1.44	3,016	89	1.05
2011	3,374	34	1.35	3,521	96	1.09
2012	5,030	43	1.47	3,363	103	0.96

Reduction of Waste Generation

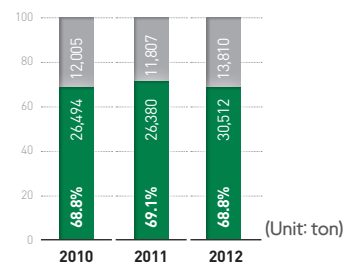
Lotte Shopping's annual waste reached 79,288 tons and of the amount, 54,531 tons (or 68.8%) were recycled in 2012. Lotte Department Store generated 44,321 tons of waste in 2012, of which 30,512 tons were recycled. Meanwhile, Lotte Mart recycled 32,460 tons of waste out of 47,526 tons of total generated waste. The total amount of waste has increased due to opening of new stores, but waste per unit area steadily remained at the same level with the previous year thanks to our stringent waste management.

◆ Waste Generation

Year	Lotte Department Store				Lotte Mart			
	Waste generated (ton)	Waste recycled (ton)	Incinerated & landfill (ton)	Per unit area (kg/㎡)	Waste generated (ton)	Waste recycled (ton)	ncinerated & landfill (ton)	Per unit area (kg/㎡)
2009	35,800	24,707	11,093	17.2	36,899	25,429	11,469	15.3
2010	38,499	26,494	12,005	16.7	41,265	28,382	12,883	14.4
2011	38,167	26,360	11,807	15.2	44,137	30,112	14,025	13.7
2012	44,321	30,512	13,810	12.9	47,526	32,460	15,066	13.6

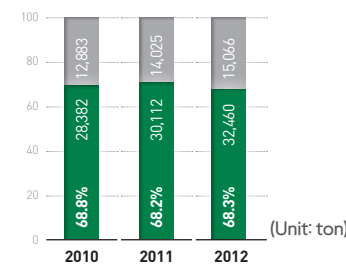
◆ Waste Recycled Ratio (Department Store)

■ Recycled ■ Incinerated & landfill



◆ Waste Recycled Ratio (Mart)

■ Recycled ■ Incinerated & landfill



◆ Certified Eco-Friendly Building Store of Lotte Shopping



Lotte Department Store, Pyeongchon Branch



Lotte Department Store, Konkuk University Star City Branch



Lotte Department Store, Kimpo Airport Branch



Lotte Mart, Changwon Jungang Branch

Overview

Sustainable Business

Sustainable Culture

Value Chain

Equal Project

Fuel Usage Reduction

Lotte Shopping mainly uses LNG for cooling and heating system for stores and for cooking purposes for in-house restaurants. The total amount of LNG used at stores of Lotte Department Store and Lotte Mart in 2012 amounted to 31.92 million Nm³, decreased by more than 10% from 34.47 million Nm³ in 2011. In addition to this reduction, LNG consumption per unit area represents continuous decrease of fuel usage in Lotte shopping. Main reasons behind the increase in fuel usage were opening of new stores. However, data shows that LNG usage per unit area has declined every year. Lotte Department Store used LNG usage per unit area of 4.99 Nm³ while Lotte Mart used LNG usage per unit area of 4.24 Nm³, efficiently decreased in fuel usage compared to 2011.

◆ LNG Reduction

Year	Lotte Department Store			Lotte Mart		
	Total LNG usage (10,000 Nm³)	No. of stores	Per unit area (Nm³/㎡)	Total LNG usage (10,000 Nm³)	No. of stores	Per unit area (Nm³/㎡)
2009	1,370	29	6.60	1,637	70	6.78
2010	1,508	31	6.55	1,842	89	6.41
2011	1,639	34	6.55	1,808	96	5.60
2012	1,712	43	4.99	1,480	103	4.24

Eco-Friendly Building Certificate

Regarding to opening a new store, Lotte Shopping strives to acquire eco-friendly building certificate from the designing phase in accordance with eco-friendly building plan. Lotte Shopping has acquired eco-friendly building certificates for three department stores and two marts by introducing renewable energy plants, planning for energy-saving facility and utilizing eco-friendly and recycled materials.



Lotte Mart, Chuncheon Branch



Offset

High-Efficiency Energy Facility

Since 2008, Lotte Department Store has been replacing conventional lights inside stores with high-efficiency LED lamps. In 2012, we have installed high efficiency LED lights to replace conventional lights and fixtures in flow of human traffic for outlet branches in Soowan, Pyeongchon, Chungju and Changwon. The newly installed lights are a total of 11,014 which lead to 773 Mhz of power saving effect. If Lotte Department Store replaces LED lights for all branches, it would save 12,669 Mhz per year and equivalent to 1.6 billion won. Lotte Mart has invested 3 billion won to replace conventional lights to LED lights since 2010, and it has achieved the same effect as reductions in the power consumption of 25,607 Mwh and the GHG of 11,939 tons.



Ilsan Branch Rooftop Ecological Park



Ilsan branch Rooftop Ecological Park



Cheongyangri Branch Rooftop Green Park

New and Renewable Energy Facilities

Lotte Shopping has embarked on building new and renewable facilities as a way to minimize environmental impact from GHG emissions and save energy. In 2012, Lotte Shopping has installed additional 5 kwh and 30 kwh of solar energy plants in Soowan outlet and Pyeongchon branch respectively and each plant generates power of 6,388 kwh and 42,048 kwh a year, respectively. In addition, Pyeongchon branch, in 2012, has installed the geothermal system to generate 161,000 Kcal of heating and 47.3 RT of cooling to improve energy efficiency.

In the meantime, Lotte Mart has installed solar power plants on the roof of 39 stores nationwide to provide and disseminate new and renewable energy since 2009. It generates a total capacity of 3,721 kwp that is the largest scale among the country's buildings. In other words, it is the same reduction effect as 4.75 million kw of power and 2,015 tons of greenhouse gas emission per year.

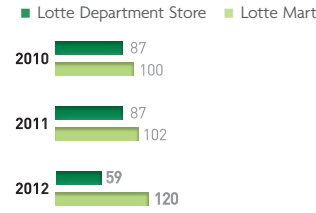
◆ Operating Status of Solar Power Plants

Category	Solar Power Plant		Solar Power Streetlight	
	Asiapolis Branch	Paju Outlet	Paju Outlet Branch	Kimpo Airport Branch
Installed Date	April 2011	December 2011	December 2011	December 2011
Daily Generated Hour (H)	3.84	3.84	9	9
Annual Capacity (KWh)	4,204	21,024	3,285	5,748
AnnualCO ₂ Reduction(tCO ₂)	2	9.8	1.5	2.7
Annual Reduction Cost (Won)	504,480	2,522,880	394,200	689,760

Green Ecological Park

Lotte Department Store has established the rooftop green space to decrease about 10% of heating and cooling energy consumption for the direct lower floor. In particular, Insan Branch, Nowon Branch and Centum City Branch has established ecological parks to fashion the perfect nature within the city for saving energy and offering natural shelters for customers and citizen. Green ecological parks are currently applied to 17 branches of Lotte Department Store and they reflect to reduce 250tCO₂ of greenhouse gas emission per year.

◆ Status of Lotte Shopping Green Purchase (Unit: 100 million won)



※ The Total amount of Green Purchase decreased due to using e-flyer
(The procurement amount of flyer paper decreased by 2.6 billion won)



Public Transportation Campaign Card



Public Transportation Campaign Card (the Girl's Generation)

◆ Installation Status of Eco-friendly Environment and High Efficient Facility in Lotte Department Store



Performance of Green Purchasing

Lotte Department Store participated in "Green Purchasing Voluntary Agreement" led by the Ministry of Environment to set forth Green Purchase as the key driver for environmental management, and this policy promotes to preferentially purchase products with any hazardous substances and environmental certificate. The quantity of green procurement has increased each year because we devote to purchase eco-friendly certified flyer paper, office suppliers and to expand it to eco friendly and high efficiency LED lights, etc.

Public Transportation Campaign

With respect to heartfelt environmental awareness, Lotte Department Store along with Seoul City promotes transportation campaign. Each branch per month present gratitude gift with pre charged cash and present a gift for customers who have transportation cards at the time of purchase. From January 2012 to March 2012, the gift amount of transportation pre charged cards has reached at 990 million won. Furthermore, we have designed the transportation cards embodied with the Girl's Generation, our official model in 2012, it encouraged your people to use public transportation and at the same time it has led a good response by foreigners as well.



Lotte Mart Solar Powered Parking Lot



Eco-friendly appreciation gift
– eco fashion bag



Eco-friendly appreciation gift
– Spearflower plant



Lotte Department Store Eco-Flyer



Reusable Airtight Container for Korean Native
Cattle Set



Deco Market

Eco-Friendly Appreciation Gift

◆ Eco Fashion bag

As part of eco-friendly practices, Lotte Department Store presents designed eco fashion bags as appreciation gifts. Instead of disposable shopping bags and plastic bags, using these eco bags will minimize disposable products and waste and even further raw material that is of significance of protecting trees. Also, as an industry leading company, we demonstrate an example of eco-friendly practices and try to spread environment protection activities to customers by inducing eco-friendly campaign.

◆ Spearflower

Starting March 2013, Lotte Department Store, as part of eco-friendly management, designed spearflower plants as appreciation gifts along with embodied Saeromi and Haemi flowerpot, eco-friendly characters designed by Lotte Department Store. Spearflower is suitable for indoor planting that is known for air-purifying capability and most of all it is easy to manage.

Eco-Flyer ECO

Lotte Department Store fabricates more than 250 millions of flyers every year and we use ecologically sound papers and printed with soy ink to minimize environmental impact. In addition, we try to decrease actual flyer quantity by introducing online “Eco-Flyer” service. Eco-Flyer has implemented in April 2009, we have counted about 20 million viewers from that date to August 2013 and it reflects the same effect as protecting about 16,000 trees.

Efforts to Reduce Packaging

Since 2008, Lotte Department Store and Lotte Mart entered into “Voluntary Agreement to Reduce Promotional Packaging” with the Ministry of Environment and actively involved in reducing packaging. We have established and published guidelines to remove the secondary packaging by product groups and to prevent over packaging for holiday gifts. Moreover, during holiday periods, we inspect for the packaging compliance especially for cosmetics and liquor product groups. And, in foods stores, all plastic disposable containers for fast foods and livestock products were replaced with biodegradable containers made by corn starch material.

Deco Market

Design Division in Lotte Department Store has opened “Deco Market” since 2008. Deco Market promotes to sell mainly disposed interior accessories throughout Bazaars and it aims to support environmental practice and to help neighbors in need with the proceeds by Bazaars. In 2010, Deco Market has made a total of 7.6 million won and the proceeds used to aid local children’s centers for children medical treatment.



Lotte Department Environmental Art
Competition



Environment Field-Trip to Germany by
Children's Environment School



Children's Environment School



Panoramic View of Peace & Green Boat



Participants of Peace & Green Boat



Cool Biz Fair

Environmental Art Competition

In its 34th event as of 2013, the Lotte Department Store environment art competition is the industries’ first and largest children and youth art contest. The competition has established itself as a representative environment preservation campaign for Lotte Department Store, helping children, the leaders of tomorrow, to be aware of the importance of nature preservation. Every year at least 10,000 children from across the country participate in the environment art contest. Starting in 2010, the status of the art contest was upgraded with the sponsorship from the Ministry of Environment, Ministry of Foreign Affairs & Trade, Ministry of National Defense and the Museum of Contemporary Art.

2012 environmental art competition was held simultaneously in eight regions nationwide by a total of 9,782 participants and for the 34th environmental art competition on April 2013, a total of 12,258 children were participated which made a new highest record.

Environmental Education for Children

Lotte Department Store operates “Environment School” program for the future leader, our children, aimed at teaching them about the importance of caring and coexistence of our environment. Children's Environment School is the significant program that combined Lotte Department's environmental management and social contribution for education, and it produced 1,540 graduates from 2004 to 2012 for eight semesters. The 8th Children's Environment School in 2012 held by eight regional cultural centers nationwide simultaneously, best graduates were offered a chance to experience the environment education in Germany.

Meanwhile, Lotte Mart, in conjunction with the Civic Organization, administrates a program that designed a field trip to a Green Store, Seoul Train Station, appointed by the Ministry of Environment, to introduce eco-friendly products and its consumption and high efficiency energy facilities, solar power plants, etc.

Peace & Green Boat

Lotte Department Store, since the maiden voyage in 2005 up to now (2012) has sponsored Peach & Green Boat that is a cruise tour program for Asia Environment and Peace. The Peace & Green Boat was organized by the Green Foundation and Peace Boat of Japan and they mutually operate its program designed for a variety of voyagers to visit Asian countries and giving out various environment related lectures and discussions on board and sharing environment consciousness, cultures, and friendly activities and preserving peace between nations.

Lotte Department Store has sponsored “Peace and Green Boat” every year and last December 2012, we had about 70 customers and employees aboard to enhance environmental awareness and raising our position as environmental friendly company.

Cool Biz Campaign

Since 2005, Lotte Shopping has introduced the first Cool Biz (Warm Biz) style for energy-saving and leading eco-friendly lifestyle. Cool Biz Campaign is the beginning of energy-saving by taking ties and coats off in summer and wearing knit cardigans during winter will reduce the cost of cooling and heating. Lotte Department Store has embraced annual “Cool Biz Fashion Show” and last year we have entered into the collaboration agreement with Seoul City and have promoted joint campaigns.





Sustainability Issues in Product

Lotte Shopping strides to uphold our sustainability strategy with continuous identification and expansion of sustainable products, encouraging sustainable consumption, and ultimately realizing economic, environmental and social benefits.

◆ Lotte Shopping Value Innovative Products (Value Innovative Products)

- Completely Away from short-term events
→ **New Value + Combined product** → **Continuity**
- Comprehensive innovation in products and services
- Changes in sales method
→ **Organizational innovation** including working methods, performance measurement, etc.

◆ Brand Definition of "Tongkeun" and "Sonkeun"

Brand Definition	
	Contribute to price stability differentiated product with innovative value
	Contribute to mutual growth Developing and supporting of excellent SMEs and products

Supporting for New Products and Brands Development

Lotte Shopping dedicates to improve sustainability by developing new products and brands. Lotte Mart since 2011 has pushed the value innovation of the goods: as a result, we have developed a totally differentiated products "Tongkeun" product line and "Sonkeun" product line of SME suppliers to achieve innovative values to products.

◆ Status of Development and Sales of 'Tongkeun' and 'Sonkeun'



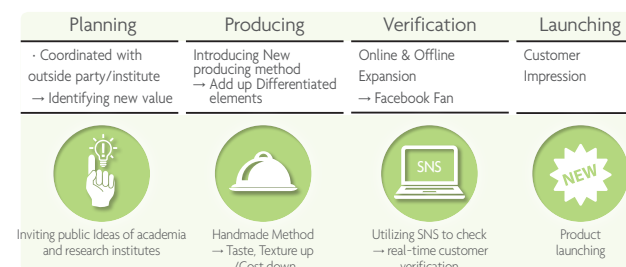
Customer-oriented Product Development

Lotte Mart has introduced open/multi innovation to develop customer-oriented products. Open-innovation is to develop core competencies on assets, to secure new ideas and technical process from outside whereas Multi-innovation is a comprehensive innovative activities in planning, manufacturing and verification.

◆ Open Innovation Process



◆ Multi Innovation Process (Introducing Handmade Pizza)



◆ MD Academy Implementation Status

Category	Period	Trainees
1	'08.12 ~ '09.1	45
2	'09.6 ~ '09.8	61
3	'09.12 ~ '10.1	50
4	'09.12 ~ '10.1	36
5	'12.4 ~ '12.7	40
6	'13.4 ~ '13.5	38
Total Trainees		270

Introductory Training for Product Division and MD Academy

Lotte Department Store has introduced "Lotte Department Store MD Academy", a specialized training course for CMD / MD to increase their competence; we have produced a total of 270 participants from the 1st course in 2008 to the 5th course in 2012. It is composed of 10 classes (3hours per day per week) and covers a total of 10 different subjects from the direct working practice theme in "Buying Process" and "Brand Management" to the fashion insight theme in "Distribution Consumption Trend", "Fashion Social Psychology".

Product Quality & Safety

Development of Independent Editing Store Brand and Identity

Lotte Department Store has developed [KHOS], a Korean style open-sourced SPA editing shop, and the first nation's department store cooperated in conjunction with Dongdaemun Commercial supremacy. [KHOS] started the concept of Street Top Brand Multi-shop to gather all hot trendy items like colorful and fun circus in one place and it is Lotte's unique independent editing store.

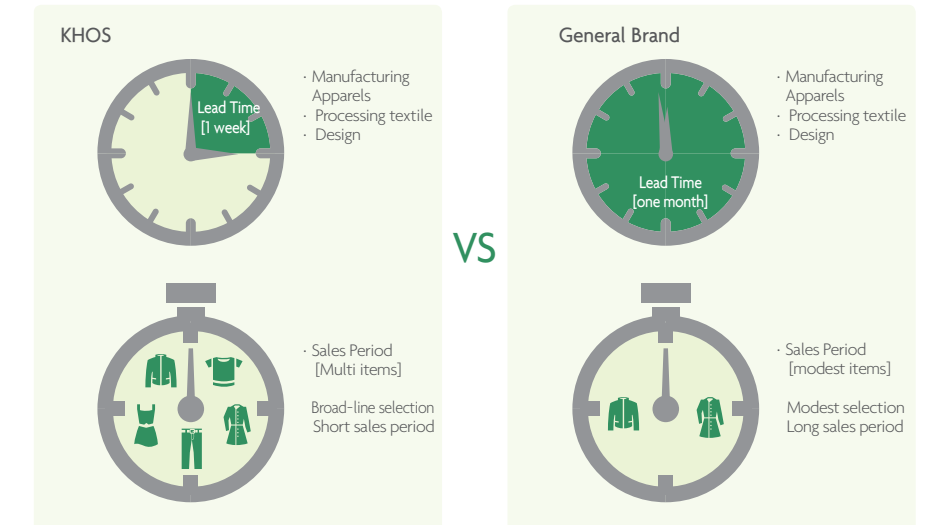
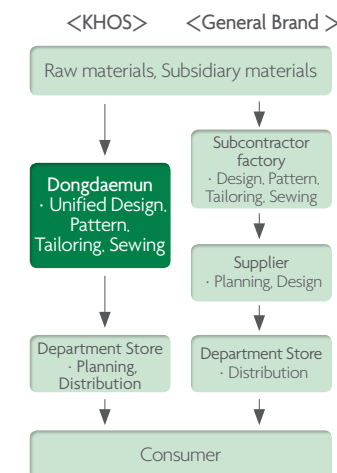
KHOS consists of 11 vendors and the composition of the vendor is 75% of clothing, 10% of miscellaneous goods, 5% of import goods and 10% of others (YG Entertainment). The Clothing vendors are Dongdaemun's top brands (Playment, Be, Lame, Address, La Magie) with the annual revenues of more than 10 billion won and the miscellaneous goods vendors are online best brands (Sober shoes, MC Nelly, Inee), already proven by exporting their goods. In addition, the first time introduced by department stores, Entertainment vendors, YG and Kinki Robot, are added up nice spicy to KHOS.

◆ Manufacturing and Sales Comparison between KHOS and General Brand



Lotte Department Store SPA Editing Store "KHOS"

◆ Price and Distribution Structure Comparison between KHOS and General Brand



* Lead time : is the time between the original design or idea for a particular product and its actual production.





◆ Various Transformation of The Wave popup stores



JNBY



Gundam Base



Kyumbe



Atelier Love

Opened The Wave Popup Store

Lotte Department Store has planned [the Wave], a popup store for incubating or piloting for newly developed brands; and the first Wave opened in June 2012 at the second floor of headquarters and followed by Jamsil Branch at the first floor in March 2013. The Wave enables to develop various types of brands that previously were not introduced; therefore, many popup contents have successfully implemented. In the Wave, the famous webtoon character "Majo and Sady" was developed and sold as character products and online based "Nine Girl" was also introduced throughout popup store; and these new attempts have achieved a great success. The Wave is the perfect platform to employ and to deploy the real-time based contents; so, it contributes to lower a barrier into department store and to give a growth chance for new contents and SMEs.

Green Price

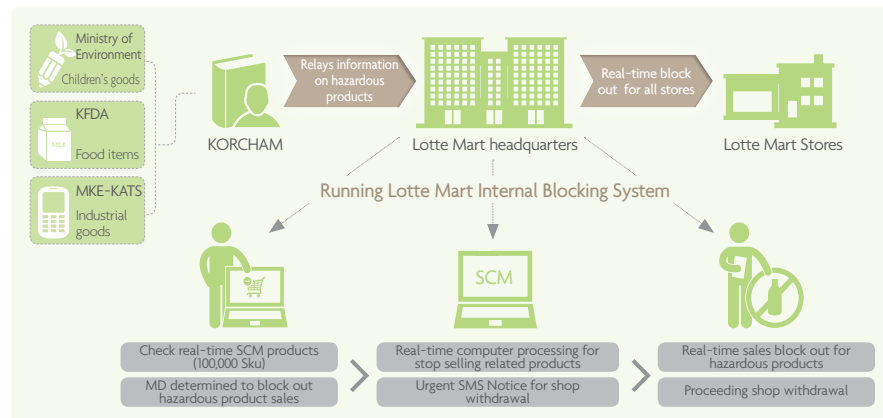
Lotte Department Store has the first in the industry introduced Green Price system in order to eliminate the abnormal price discounts and it allows maintaining the lower regular price of products except for regular bargain sales periods. This green price system originally implemented for men's suits lines (including city casuals) in 2007 and broadened for fur product lines in 2010. The green price system skimmed off consumer's distrust on the price system and restrained constant promotional events that have been pointed out as the cutthroat competition in the industry. In addition, this system promotes products competition rather than dumping price war by suppliers, therefore they have gained profit improvement as well as global competitiveness of their products.

HACCP (Hazard Analysis Critical Control Point) Certificate

In December 2008, Lotte Department Store has received the industry's first HACCP, the state-recognized certification. HACCP is a food hygiene control system devised to block risk factors at each stage of the food supply chain, from the production of raw materials to production, processing, storage and distribution, to the end point of final consumers.

Hazardous Product Blocking System

Lotte Mart has successfully established the first industry player in Korea a Hazardous Product Blocking System that effectively blocks the sale of hazardous products with the computer network of the Korea Chamber of Commerce and Industry to ensure product safety management in good order and to build trust of shopping environment.



Product Safety

Food Hygiene Management

Lotte Department Store operates various product safety programs. Hygiene inspection was executed by our internal audit and established liaison with Lotte Group Safety Center. Department self inspection is organized by Quality assessment personnel in each store to evaluate sanitation of the food sections and in-store restaurants and they report weekly and monthly results to store manager and team leader for intensive management.

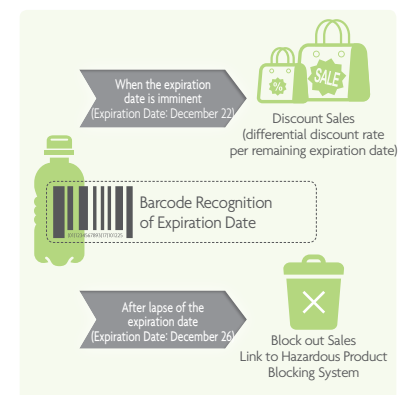
In addition, we monitor the status of hygiene management by cross check between stores, and for those inadequate stores are subject to additional monitoring to improve the level of hygiene management. Lotte Group Safety Center performs the Hygiene Inspection at least one a year. Identified issues by inspection will be addressed immediately and re-check undertaking for complete improvement.



Quality Auditor Activities

Automatic Expiry Recognition Process

We the first in the industry in Korea have adopted PATA BAR with the expiry information in compliance with the GS1 standard for food bar code and it will be applied to sales block action or differential discount offer in accordance with the expiration data.



Automatic Recognition Process of Expiration Date

◆ LFSA Check items

- ① Hygiene + regulatory Check List
- ② Workers and cookware inspection
- ③ 5% Sub-Stores
- ④ Verifying improvements
- ⑤ Onsite instruction before Inspection



Eco-friendly food brand 'ORGA'

Executing Outside Hygiene Audit (LFSA)

With respect to ensuring safe foods available for customers, Lotte Mart has appointed an outside hygiene institute for hygiene inspection and education to improve our competence of hygiene management and laws compliance management. The first LFSA review conducted in March 2005 contributed to raising awareness about hygiene among store employees and to building a hygienic working environment.

Distribution Expansion of Eco-Friendly Product

With respect to higher customer awareness of food safety, Lotte Department Store leads to increase our eco-friendly products and shops. Lotte Department Store operates the organic food specialty shops in each store.

◆ Operating Status of Lotte Department Store Eco-Friendly Specialty Shop





Local-friendly & Eco-Friendly Products

Local specialties tube operating

Lotte Department Store has opened the local specialties store in Paju Premium Outlet in December 28, 2012. This specialties store is for nearby farmers to have a market place to sell their products and for customers to enjoy local agricultural products with reasonable prices. Premium outlet Paju Branch and Gimhae Branch have installed a temporary shop to operate during the weekend from June to July and they have received a good response along with more than 20% increase of sales per month.

Local Product Development and Distribution

Lotte Department Store strives to provide the best products for customers by developing local fresh foods that are fresher and safer and administrating strict product management. We have signed an MOU with Changyeong Province in 2012 to develop Lotte PB Brand and have signed an MOU with Ulleung County to expand our lineup and to vitalize agricultural, stock farm and fishery products sales. By this agreement, we can present a variety of local specialties from Ulleung Province, and Pohang Branch and Busan Headquarters already hold Ulleung Clean Zone Specialties Event from March to April in 2013.

Eco Shop

Lotte Department Store operates Eco-Shop in the Headquarters and in jamsil Branch. At the Eco-Shop, We have offered products with minimum environment impacts including clothing with eco-friendly materials, natural kitchen and bathroom products and recycled products and Revenues from Eco-shop go toward an environmental fund. Lotte Department Store used the entire sales revenues (about 520 million own) from 2007 to 2012 for environmental funds. Lotte Department Store strives to vitalize more eco-friendly shops and to share awareness of eco-friendly products and going forward to settle a proper green consumer culture.

Green Card

For Green living practice of the whole nation, Lotte Shopping has vigorously participated in the newly introduced "Green Card System" by the government (the Ministry of Environment). We provide "Eco-money points" to a customer who purchases a green product with a green card, and then when accumulated green points reach to a certain point, replace it to a gift certificate. Therefore, we make green consumptions a way of life. We have presented 1,919 green products and a total of 198.2 billion won in sales.

◆ Sales Performance by Eco-Products

	2010		2011		2012	
	SKU	Sales (100 million Won)	SKU	Sales (100 million Won)	SKU	Sales (100 million Won)
Environmental/ Energy Saving	890	425	1,389	711	1,430	750
Carbon related Performance	95	313	135	380	129	302
Environmental Agricultural	128	160	172	418	240	580
Green Technology/ Other	56	142	77	208	120	350
Total	1,199	1,040	1,773	1,717	1,919	1,982



Eco Shop in Headquarters



Eco Shop Logo



Green Card

Product Power Advancement

Enhancing Market Responsiveness by JPB(JOINT BUSINESS PLAN) Advancement

JPB represents comprehensive collaboration activities in planning, development and sales between producers and distributors. Utilizing select and concentration strategy, Lotte Mart has chosen JPB with high growth companies with higher market shares in 2012 and now in 2013, we intend to enhance market responsiveness by quality-oriented collaboration and advancement.

◆ 2012 JPB Performance and 2013 Expansion Plan

2012 Performance: 16 Suppliers, Sales of 927.2 Billion Won (+ 4.0%)

Expansion of Production Involvement
→ Joint Planning/ Exclusive Product

Effective Role Allocation
→ VMD Optimization



Maeil Low-fat Milk
(Commercialization of Exclusive Product 2.3L)



Pulmuone Fresh Noodle
(Exclusive Soup Stock Development)



Color Display



Event Fixture

2013 Expansion Plan: about 25 Suppliers (+ 9 Suppliers), Sales of 1,066.3 Billion Won (+ 15%)

- Customized Strategy by Commercial Zone

Customized Product by Commercial Zone

Differentiated Promotion by Area

Metropolitan/
Large City



Middle & High Cost Strategy



Prize / Admission Ticket

Regional/Small
& Medium City



Low-Cost Strategy



Discount/ Lagniappe

- Object Management Segmentation

Branch/Monthly Object Segmentation and Excessive Profit Sharing with suppliers

PB Product Pre-to-Post Risk Management

Lotte Mart has secured new products safety by conducting pre-to-post risk management on newly launched products. It has three phases from "New Product Inspection", "Distribution-Phase Management" and "Post Management". When a crisis arises, we formulated a crisis management system to unsure consumer confidence and to minimize the damage.

◆ Lotte Mart PB Product Pre-to-Post Risk Management System

New Product Inspection

- Inspection before out-sourcing
: Registration / Analysis by Safety Center (Lead time 10 days)
- Specification Verification
: Specification Verification by Central Research Institute (Lead time 7 days)
- Test results & Feedback



Distribution Phase Management

- Enhanced by Supplier's Self Quality Management
: Maximized Supplier's own quality control capability
- Inspection by Hazardous Grade
: Intensive inspection for hazardous items
- Planning & Analysis on Domestic and Global issues
: Proactive action on issues



Post Management

- Self Checking System by Own Laboratory
: Verification on Supplier's Test Facility and proficiency
- Verification on Supplier's Test Facility and proficiency
: Establishing Crisis Management Team
: Established Crisis Management Policy



Joint Product Planning and Brand Development

As part of Lotte Mart's small & medium enterprise fostering project, MPB products have jointly been developed and expanded. Joint-brand named MPB products help to enhance independent brands competitiveness for small and medium producers. Lotte Marts strive to enhance mutual growth foundation by expanding new product development with SMEs.

◆ MPB Product Performance



◆ 2012 Improvement Performance and 2013 Improvement Object

2012 Performance



2013 Object



On-site ONE-POINT MD Improvements

Lotte Mart has implemented the customer-driven improvement by reflecting the voice of the customer to stores immediately as part of our innovative paradigm shift. Including display improvement and product reinforcement, there are 292 cases of improvement recorded and we aim to improve a total of 360 cases as our objective in 2013.

◆ ONE-POINT MD Improvement Process



Sustainability Issues in Society

By establishing key directions of social contribution activities and systematically implementing them, Lotte Shopping strives to provide the true value of sharing to more places in our society.

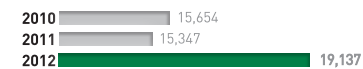
Social Contribution Strategy

To establish itself as a leading company contributing to the development of the country, local community and international society, Lotte Shopping is managing social contribution activities on a corporate strategy level. Lotte Shopping is developing social contribution strategies and programs that are integrated with the company's corporate strategy to eliminate one-time or simple donation-type social contribution activities, while effectively utilizing the characteristics of a distribution company and internal competencies under a long-term objective.

◆ Social Contribution Strategy



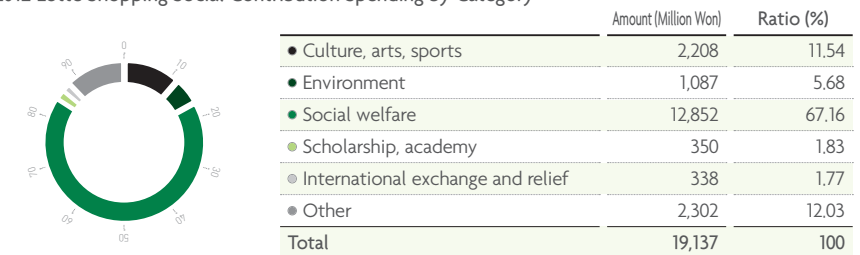
◆ Status of Expense Execution of Lotte Shopping Social Contribution (Unit: million won)



Executing Operation Expense of Social Contribution

Lotte Shopping has executed a total of 19.0 billion won in social contribution expenses in 2012. Lotte Shopping is monitoring the cost effectiveness to measure the leverage between and efficiency of social contribution fund execution and its programs; therefore, the fund has to be allocated in most appropriate way.

◆ 2012 Lotte Shopping Social Contribution Spending by Category





롯데백화점 나눔봉사단



BI of Sharing Volunteer Group



Activity of Volunteer Group

◆ Implementation Status of Eco-friendly Gift Certificate Funds by Year

2004 Children's Environment School Environmental Film Festival Sponsorship Endangered Birds Protection	2005 Children's Environment School Environmental Film Festival Sponsorship Endangered Birds Protection
2006 Children's Environment School Environmental Film Festival Sponsorship Eco-friendly Fashion Campaign	2007 Children's Environment School Eco-friendly Fashion Campaign Family-friendly Community Implementation
2008 Children's Environment School Repair of TaeAn Environmental Disaster Area Customer Engaged Nationwide Environmental Services	2009 Special Exhibition of Climate Change Sponsorship Energy Minus Love Plus Campaign Green Start Campaign
2010 Special Exhibition of Climate Change Sponsorship Global Warming Prevention Campaign	2011 Children's Environment School Atopic Treatment Support Children's Environmental Center Support
2012 Children's Environment School Atopic Treatment Support Peace and Green Boat Sponsorship	

Input Management

Operating Volunteer Groups

In Lotte Department Store, there are currently 41 volunteer groups with 1,376 members and 2,829 people are participated in volunteer activities. To help vitalize volunteer group activities, Lotte Department Store funds each store and each volunteer group as activities expenses. In 2012 along, we have executed a total of 145 million won as the total activity expenses for volunteer groups.

As for Lotte Mart, there are 10 volunteer groups in headquarters and 103 “Sharing Happiness” volunteer groups in stores. About 1,500 participating members per month carried out diverse social contribution activities in sharing activities in child care facilities, supporting learning talent, sharing happiness campaign and “We Start” Campaign. Lotte Mart has supported a total fund of 5.577 billion won for volunteer groups.

◆ Operating Status of Lotte Shopping Volunteer Groups

	No. of Volunteer Group (Number)	Participants (People)	Volunteer Hours (Hour)
2010	100	6,644	25,167
2011	139	10,636	51,718
2012	148	18,373	71,936
TOTAL	387	35,653	148,821

Raising Environment Fund by Gift Certificates

Since 2004, Lotte Department Store has implemented the eco-friendly gift certificates campaign – a certain part of gift certificate sales reverts to the environment fund. This campaign is a virtuous circle of environmental preservation activity by the result of consumption, a certain amount of consumer’s gift certificate transferring to environmental conservation business which returning ultimately to consumers with abundant environment.

Lotte Department Store in the last nine years has established a total of 6.2 billion won of eco-friendly gift certificate fund as of 2012 aiding for environment conservation and prevention of climate change.

Employee Participation Matching Grant

Lotte Shopping operates the matching grant system that is the symmetry amount between employee, by contributing a certain amount of salary, and the Company, by matching contribution amount that will go to the social distribution funds. Last year in 2012, we have conducted various social contribution activities, providing Love House (Home Repair) project for low-income families, supporting electric mats for low-income elderly households, supporting Salvation Army activity and providing LOVE box and strollers for low-income infant families

Fundraising of “Sharing Happiness” N campaign

Since 2010, Lotte Mart has implemented “Sharing Happiness” N Campaign: a part of benefits from “N” Marked products goes to supporting pro bono activities. Starting with six items for N Campaign in 2010, it expanded to 57 items in 2012 and the contribution amount has also increased to 155 million won.

Output Management

Supporting Atopic Treatment “Free-Free Atopy”

Lotte Department Store in 2012 has operated “Free-Free Atopy” program for children who suffered from environmental disease atopic under the age of 12 in low-income families to support the medical treatment. In addition, we have helped atopic children, who are under the stress with atopic dermatitis with limited outing, to experience the forest and ecological education for helping children to be healthy and brighter living. And we have conducted a public forum for the prevention and diagnosis of atopic dermatitis and a study room clinic for improving study environment.

◆ 2012 Operating Status of Free Free Atopy

	Treatment support	Atopic Camp	Public Forum	Improvement of Study Room Environment
Details	Atopic Treatment & Medical Support	2 days of Atopic Education & Forest Experience	Diagnosis and prevention of atopic training (Hands-on training)	Sterilization Clinic and Atopic Prevention
Target	40 atopic children with Low-income household	50 Atopic children families (25 families * 2 times)	240 General public and prospect parents (60 people * 4 times)	30 children's study rooms with Low-income households

We Start Campaign

Lotte Mart, since 2008, has supported low-income children in conjunction with ‘We Start Campaign Headquarters’. We Start Campaign contains the meaning of “we (We) all help “children under the poverty to help a new start (Start)” Lotte Mart has introduced various helping funds by installing “happy piggy bank” at stores, “1004 (Angel) Sign-sponsorship account”, donating a round by employee’s paycheck, etc.; and we have executed systematic donation actions organized with civil society.



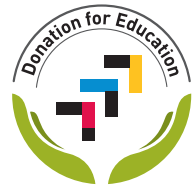
Free-Free atopy - Atopic Camp



Free-Free atopy - Public Forum



Free-Free atopy - Improvement of study room environment



교육기부기관
Ministry of Education, Science and Technology



Children's day gift donations



Athlete Jang Mi-Ran Sponsorship

Retaining Educational Contribution Certification

In recognition of social distribution in education such as Children's Environment School, Children's Environmental Art competition, underprivileged children 1:1 mentoring program, talent donation of youth economic education, junior high school-work experience program, Lotte Department has appointed as the educational donor institution in August 2012 by the Ministry of Education, Science and Technology.

Children's day Gift Donation

Every May 5 Children's Day, we have made an opportunity for sharing and loving practice through "Gift Donation System" since 2011 as previously they were for our fellows and employees. When employees who received gifts wish to donate them as presents, we collect and deliver them to the social welfare of the children and issued the donation receipts to those donated employees. In 2012, approximately 13 million won of confectionary gifts for the Children's Day donated to local children's centers.

Jang Mi-Ran Sponsorship

Lotte Department Store and the Weightlifter, Jang Mi-Ran has sponsored the Foundation of Jang Mi-Ran, in January 2012, we had Athlete Jang Mi-Ran Sponsorship ceremony, and by the February, Jang Mi-Ran Foundation was established. As a result, we have distributed our message of supporting Olympic athletes by advertising Jang Mi-Ran on our gift certificates (newspaper ads, online ads, etc.) utilizing a motif of her sincerity, amazing effort, and the realization of dream. Along with these ads, we have delivered additional advertising and promotion on supporting and cheering our national athletes by customers before and after the London Olympics.

Childbirth Encouragement Campaign

Since May 2011, as part of childbirth encouragement campaign, Lotte Department Store has operated for pregnant women who can visit the care service "Good Room like Mom". The bus of "Good Room like Mom" has offered a shelter for working moms and free health check services in metropolitan office concentrated areas in Yeouido, Myeong-dong, Kangnam, etc. during weekdays. In 2013, Lotte Department Store along with the Ministry of Health and Welfare has participated in "Be the Mother" Campaign by providing cultural center special lecture for couples and organizing "mother Festival", grand childbirth encouragement festival.



Childbirth Encouragement Bus "Good Room like Mom"



Indonesia Medical Services



Vietnamese Broadcasting "Shootdori"

Indonesia Medical Services

Lotte Department Store in June 2013, the first Jakarta branch in Indonesia, has implemented social contribution activities prior to its opening. In April, we have provided solar lighting lamps for 300 Pasar Minggu households and conducted environmental clean-up activities. In May, we have conducted medical support activities with the Medical Association for the Public, MVG Customer Volunteer Group and local employees in Kampung Melayu and Chipayung areas. About 2,000 patients have been treated by six clinics of dental, Oriental Medicine, internal medicine, etc. and provided with medicines and relief supplies.

Broadcasting Vietnam "Shootdori" Sponsorship

Lotte Department Store has sponsored making entertainment programs of fostering Vietnam youth soccer players in 2011 and 2012. The program was named "Lotte Cau thu ti hon" and it was a popular program that was organized by selecting soccer players by auditions and group camps and participating in youth soccer tournaments and visiting Manchester United Team.

Sharing activities in Mongolia

In May 2013 Lotte Department Store has conducted volunteer activities with Congressional Research Corporation, "Tree Planting" people Corporation, the Medical Association for the Public, the Environment Foundation for planting trees from combating desertification, providing solar lighting lamps and free medical aids in Ulaanbaatar and Lun Soum in Mongolia. This event was held more meaningful because of May 11, Arbor Day in Mongolia and we have planted 500 poplar seedlings planted in Lun Soum area where appointed as Korea and Mongolia Greenbelt Establishment Business for combating desertification.



Mongolia Sharing Project





Sponsorship of Louvre Museum Exhibition

Louvre Museum Exhibition Sponsorship

In 2012, Lotte Department Store has conducted ticket promotions and MVG promotions, targeting a total of 6,000 people (provided 2 tickets for the purchase amount of 200,000 won) for the Louvre Museum Exhibition from June 1 to September 30. We have also provided an opportunity to experience art collections of the Louvre Museum closely by utilizing its images on our flyers and appreciation gifts. We have reaffirmed as the cultural department by providing various sponsorships in art and culture areas and for that we have conducted British modern art exhibition in June 2010, France Versailles Special Exhibition in July, Musée d'Orsay Exhibition in June 2011, etc. Going forward, Lotte Department Store will fulfill our customer's needs in culture and arts by continuously sponsoring and providing cultural and arts programs.

London Olympics Celebration Sponsoring Olympic Dream Bazaar

With respect to celebrating 2012 London Olympics, Lotte Department Store in conjunction with Jang Mi-Ran Foundation has conducted the charity Bazaar supporting youth athletes in unpopular sports. Olympic gold medalists, Jang Mi-Ran, Nam Hyeon-Hee, Jung Ji-Hyun and Kim Jae-Beon were invited for the fan signing event. Throughout the bazaar, we have delivered the donation to unpopular youth national teams including wrestling, weightlifting, etc. and made further donation of 60 million won to Jang Mi-Ran Foundation to encourage their relentless aspiration. Lotte Department Store has conducted various contribution activities linked with gifts events and Bazaars such as "Deulmusae" Sponsorship Bazaar, the fallen soldiers helping Bazaar, etc. Lotte Department Store will plan various events to support athletes training in unpopular sports in the future and to contribute to the development of the national sports.

Local Orphanage Support in Beijing China

Lotte Mart in North China Office has conducted the medical services "Health Happiness Dream" for local communities and also supporting orphanages in Beijing area to lead the right way for them to grow.

Supporting Vietnam Sports and Education

Lotte Mart in Vietnam Office has supported sports and education industry within the region of Vietnam. Since 2010, we have sponsored football talented children and Taekwondo member of the national team and supported for three university-scholarships in Ho Chi Min University and Hanoi National University, etc.



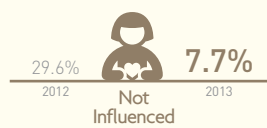
APPENDIX

Stakeholder Sustainability Survey

Conducting Stakeholder Survey

Lotte Shopping has conducted a survey to collect opinions of stakeholders on our sustainability management and to reflect the results in the sustainability report. The survey was carried out online for 32 days from March 8, 2013 to April 7 and 5,216 stakeholders were participated in the survey (increase by 629 participants or 8.5% compared to 2012). As a result, the most important issue regarding the sustainability management of Lotte Shopping was customer satisfaction, followed by customer communication and social contribution.

◆ The impact of Sustainability activities on the brand image



◆ Breakdown of Survey Respondents

Stakeholder	No. of respondents	Ratio
Customers	2,359	45.23%
Employees	1,682	32.25%
Shareholders	20	0.38%
Investors	3	0.06%
Suppliers	647	12.40%
Local communities	359	6.88%
Government agencies	17	0.33%
Research institutes and academia	26	0.50%
NGO	49	0.94%
Media	14	0.27%
Management staff	17	0.33%
Other	23	0.44%
Total	5,216	100.00%

Correlation between Sustainability and Brand Awareness

To analyze the correlation between the corporate sustainability management and brand awareness, the respondent with "Brand image was improved by sustainability" was 79.8% or increased by 5% than 74.4% last year whereas the respondent of "Not influenced" was 7.7%, significant decreased from 29.6% last year. The result reflects that the importance of sustainability management for the stakeholders was increased every year. Meanwhile, for the influence between sustainability to buying power, the respondent of "good influence" was increased to 70.1% from 62.6% in 2012.

◆ Level of sustainability assessment and key issues

	Customer satisfaction	Reduce energy consumption	Local economy Vitalization	Benefits program	Fair trade compliance	Service differentiation	Transparent disclosure
Comparison (vs. 2012)							
Key Issue	- Customer communication - Social Contribution	- Eco-friendly packaging - Eco-friendly Store	- Developing social contribution program - Social problem solving efforts	- Fair evaluation & compensation - Employees of human rights and respect for diversity	- Convergence of supplier opinion / Improving satisfaction - Discovery & development partners in communities	- Customer grievance - Food hygiene management	- Ethics Management System / external verification - Employee Ethics Training

2012 Awards and Certification

Key Awards and Certifications

Sustainability Management	Service
DJSI WORLD (Retail Industry Group Leader) (2013.9) Grand Prize of 100 Great Work Place in Korea (2012.10) Gran Prize of Family-Friendly Management Award (2013.5)	No. 1 of National Customer Satisfaction Index (NCSI) (2012.12) Korea Service Quality Index (KSQI) (2012.7) Customer satisfaction targets in Korea Management Awards
Brand	Environment
1st in the NBCI (National Brand Competitiveness Index) department store section (2012.8) Korea Bran Power Index (K-BPI) (2012.3) Korean Standard Premium Brand Index (2012.7)	Green Ranking (2012.11) Grand Prize of the 1st Green Reputation Index (2012.12) Low Carbon Green Growth Meritorious Award (2012.10)

Other Awards and Certification

◆ Sustainability

Name of Award	Details	Sponsor	Date Received
Mutual Growth Meritorious Award for Small-Medium-Large Corporat	Corporate Competitiveness Enhancement & Development of National Economy	Ministry of Knowledge & Economy Shared Growth Commission	2012. 09
Grand Prize of Korea Distribution Award (Korea Distribution Management Award, Distribution Innovation Award)	Innovative management activities, aggressive overseas expansion (the first Korea retailer in Indonesia)	Ministry of Knowledge Economy, Korea Chamber of Commerce and Industry	2012. 12
Large Taxpayer Award	President Award for large taxpayer that the corporate annual self-assessed tax amount exceeds 100 billion to 1 trillion KRW.	National Tax Service	2013. 03
Indoor Air Quality Certification	Certification designed by "Child breathe index model" cooperated with Korea Standards Association and Yonsei University to improve the public health and the quality of life.	Korea Standards Association, Yonsei University	2012. 03
National Volunteer Festival	Enterprise Sharing Award: profound dedication in volunteer service	Jungang Ilbo Korea Council of Volunteering	2012. 08
Corporate Social Responsibility Conference	Mutual Growth Award: Overseas market development for small-medium enterprise (SME), profound dedication & recognition for developing new products with SME	Digital Chosun Ilbo	2012. 04

Economic Performance

◆ Service

Name of Award	Details	Sponsor	Date Received
CCM Certification (Consumer Centered Management)	Certifying a corporate management for consumer centered management	Fair Trade Commission, the Korea Consumer Agency	2013. 07
Grand Prize of Korea Service Award	Enhancing corporate competitiveness and national happiness by establishing customer oriented quality innovation system and providing high quality services	Korean Standards Association	2012. 06
Grand prize of Quality Satisfaction Award by Consumer	Selected for the beloved and best retail company with endless implementation of customer satisfaction and high quality services by the consumer	Digital Chosun Ilbo	2012. 07
National Quality Award (Customer Satisfaction Section)	Awarded for top customer satisfaction among companies with excellent quality	Korea Standards Association Ministry of Knowledge Economy	2012. 11

◆ Brand

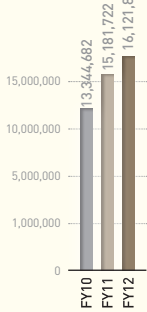
Name of Award	Details	Sponsor	Date Receive
Grand Prize of The Most Beloved Brand in Korea	Retail Section: for its efforts to satisfy the needs of consumers and awarded for the best beloved retail company by consumers.	Chosun Ilbo	2013. 04
Grand prize for 2013 National Brand Award 2013	Selected as Korea's most successful brand in the era of limitless competition in global retail business environment.	Global Competitiveness Research Center, Ministry of Commerce, Industry and Energy, Ministry of Agriculture and Forestry, JoongAng Ilbo	2013. 04
Grand prize of Mobile Brand Award	Awarded for the most spotlighted brand by consumers	Maeil Business Newspaper & MK	2012. 12
Grand prize of Brand Star Award	Certified for Brand quality assessment by business sector and selected for the best brand	Brand Stock, The Korea Economic Daily	2012. 03

◆ Environment & Others

Name of Award	Details	Sponsor	Date Receive
Best Practice Award for Greenhouse Gas & Energy	Awarded for helping national energy & power crisis and the reduction of GHG emissions by introducing GHG and Energy Saving and eco-friendly facilities	Ministry of Land, Infrastructure and Transport	2012. 12
Green Product of the Year	Green Product Award: recognition of the best green product (corporate brand) by consumers and environmental organizations.	Korea Green Purchasing Network	2012. 11
The Chosun Ilbo Environment Award	Selected for Green & Sustainability Management Practice Company by Eco-friendly operation management including Environmental conservation activities and energy saving activities.	Chosun Ilbo, Ministry of Environment	2012. 06
ARC(Annual Report Competition) Awards	Global Top 3 Awards for Corporate PR Materials	MerComm, USA	2012. 09
IF(International Forum Design) Awards	International Design Award (Communication Section)	Hannover Exhibition Center, Germany	2012. 02

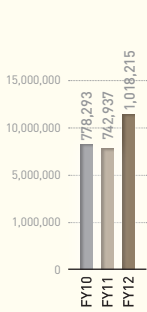
◆ Sales

(Unit: million KRW)



◆ Net profit

(Unit: million KRW)



a) Income: Sales

b) Operating expenses: Cost of sales

c) Wages & benefits: Wages + severance pay + benefits

d) Cost of capital: Interest expense +interest on corporate bonds

e) Taxes: Income tax expense + additional payment of income taxes + taxes and dues

f) Investments in local communities: Donations

◆ Balance Sheet (FY2012)

	Amount		Amount
Assets	24,802,591	Liabilities	10,611,826
I. Current assets	2,953,057	I. Current liabilities	5,001,360
Non Inventory assets	1,259,948	II. Non-current assets	5,610,467
Inventory	1,693,109		
		Stockholders' equity	14,190,765
II. Non-current assets	21,849,534	I. Capital stock	145,217
Investment assets	6,260,260	II. Capital surplus	3,653,765
Tangible & Intangible assets	13,517,917	III. Retained earnings	10,351,355
Other non-current assets	2,071,357	IV. Other accumulated comprehensive income	40,429
Total assets	24,802,591	Total liabilities and stockholders' equity	24,802,591

◆ Income Statement

	2010	2011	2012
Sales	13,344,682	15,181,722	16,121,838
Gross profit	3,917,627	4,534,156	4,873,311
Operating profit	1,187,266	1,253,083	1,137,562
Profit before tax	1,032,047	1,121,980	1,334,175
Net profit	778,293	742,937	1,018,215

◆ Key Financial Indicators

		2010	2011	2012
Stability	Current ratio	50.36%	70.78%	59.05%
indicators	Debt-to-equity ratio	66.24%	72.85%	74.78%
	Borrowings dependency ratio	15.87%	18.40%	19.27%
Activity	Sales growth	-	13.77%	6.19%
& growth	Operating profit growth	-	3.56%	-9.22%
indicators	Net profit growth	-	-4.54%	37.05%
	Total asset growth	13.85%	9.36%	8.58%
Profitability	Operating profit to sales ratio	8.90%	8.10%	7.06%
indicators	Net profit to sales ratio	5.83%	4.89%	6.32%
	Return on assets	3.73%	3.25%	4.11%
	Return on equity	6.19%	5.62%	7.18%

◆ GRI Financial Statement

GRI Guideline Indicators	Remark	2011	2012
Direct economic value generated		15,181,722	16,121,838
a) Income et sales, income from financial investments and asset disposal	Sales	15,181,722	16,121,838
Economic value distributed		12,134,445	12,735,867
b) Operating expenses Purchasing expense, non-strategic investments, royalty and operating expenses	Cost of sales	10,647,565	11,248,527
c) Wages & benefits Total amount paid to employees	Wages, Benefits, etc.	862,013	925,253
d) Cost of capital All expenses paid to providers of capital	Interest expense, etc	149,757	141,534
e) Total Taxes paid	Tax expense	461,585	405,714
f) Investments in local communities Voluntary contributions and investments (donations, etc.)	Donations	13,525	14,839
Retained economic value		3,047,277	3,385,971
Economic value generated – Economic value distributed			

Environmental Performance by Key Issue

Division	Category	Key Issue	Action	Action
Environment	Revenue Generation	Eco-friendly products	Green Card System	- All Department Stores & Marts established Green POS system (2011.11) - Green card point system: green products: Department Store (63) / Mart (260) - Average monthly sale: for 11-Year: 5 billion / for 12-year: 5.3 billion
			Eco- shop operation	· Department Store: operating of Eco-Friendly Editing Shop 'Eco-shop' (Sales of 3.7 billion) All sales for Environmental fund raising
			Expanding eco-friendly products	· Department Store: operating eco-friendly specialty shop 'Olga', 'Purum' etc. (sales: 43.8 billion) · Mart: Developing eco-friendly PB products (sales: 33 billion)
			Renewable energy facilities	· Mart: Total of 39 stores, Solar power production facility sold the Korea Electric Power Corporation (Sales: 2.3 billion KRW)
	Cost Savings	Waste Recycling	Reusable trash bags	· Mart: shopping bags can be reused as trash bags (Unit Sales: 2.2 million, Sales: 8.1 billion KRW) -> 12-Year (1.6 million units, Sales: 7.6 billion KRW)
			Eco-friendly Packaging	· Mart: Accumulating mileage point for customers purchasing Green Mileage Products (removed secondary packaging and eco products) Total of 9.1 billion mileage accumulation: (Sales: 11 billion KRW)
		Eco-friendly store	LED Lighting	· Department Store: Installation of 11,014 high-efficiency LED lightings (Power savings: 93 million KRW) Power consumption saved by solar powered facilities (savings: 5.8 million KRW)
			Rainwater storage, Recycling water production facilities	· Department Store: Saved Water Usage by utilizing rain water and recycle water (Saved: 1.3 billion KRW)

Social Performance by Key Issue

Division	Category	Key Issue	Action	Key Performance
Society	Revenue Generation	Developing local businesses	Expanding local products distribution	· Department Store: Local products development & distribution (sales: 1.7 billion KRW)
		Supporting small & medium suppliers	Supporting new designers fostering	· Department Store: Operating new brands incubating & editing shop "The Wave" (Sales: 8.3 billion KRW)
			Developing mutual growth brands	· Mart: identifying and supporting small & medium suppliers by MPB products development (sales: 63.5 billion KRW) · Mart: Brand development for price stability and mutual growth, 'Tongkeun' / 'Sonkeun' brand (sales: 55 billion KRW)
	Cost Savings	Social Contribution Program	Promoting public transport campaign	· Department Store: Promoting Public Transport Campaign and privileged for tax break by the traffic-induced benefits program (reduction: 2.1 billion KRW per year) · Participated 8 stores in Seoul and supporting for 5,000 won transport card and promoting for employee engagement

Greenhouse Gas and Energy Objective Management Audit Statement

1. Target Audit

: For Lotte Shopping Co., Ltd., the audit of 2012 was conducted and verified for Department Stores, Marts, Cinemas and Supers located in the nationwide.
2. Audit Criteria

: The verification was conducted in pursuant to the guidelines of Greenhouse Gas and Energy Objective Management (MOE Notice No. (2012-211).
3. Audit Procedure

: The verification was conducted in pursuant to the audit procedure of Greenhouse Gas and Energy Objective Management and the manual of EQA verification.
4. Audit Limitation

1) Lotte Shopping operates more than 600 Department stores, Marts, Cinemas and Supers: therefore, some sampling sites were physically audited whereas the audit for the rest of sites were conducted by the activity data provided by each head offices thereof and associated documentation.
2) Documentation review along with the separated data verification was performed and the affects may cause the importance of audit were not found.
3) The download of the aerial photographs and blueprints by NGMS was difficult in order to verify organizational boundaries.
5. Found Main Exception

1) The emission factor for the operational sites that use steam was not calculated in 2012: so, the emission factor for its supplier's 2011 was used to calculate 2012 emission factor. The probability may be existed when calculating the actual emission factor for 2012.
2) Some sites opened at the end of December 2012 (i.e. Changwon was opened on December 29) was not included in calculating the number of days opened and it may cause a little difference. However, when considering an insignificant measure against the total emission may not affect drastically.
6. Audit opinion

: Adequate
7. General Comments

1) The specification and implementation plans were appropriately prepared in accordance with the guideline of the Ministry of Environment: in addition, QA and QC as well as reporting system were established. .
2) Lotte Shopping Co., Ltd. operates nationwide Department Stores, Marts, Cinemas and Supers: however, its major energy supply is electric power and city gas except some site using steam. The parameters on NGMS are automatically selected and calculated except steam.
3) All activity data by Each business unit of Department Stores, Marts, Cinemas and Supers was collected, organized, calculated and reported to Kidae Lee, the deputy general manager of the headquarter of Department Store and an error that may influence the importance of factor was not found.

Third Party Assurance

To the Management and the Stakeholders of Lotte Shopping

Lotte Shopping (hereinafter called “LOTTE”) Sustainability Report 2013 (hereinafter “The Report”) was structured and prepared by the management of LOTTE, who retains responsibility for the contents and data presented in The Report. SolAbility (hereinafter “The Auditor”) was assigned to conduct an independent third-party review of the full Report. The objective of this review is to externally assure and give independent opinion that statements and data and information presented in The Report are free of material misstatements and biased; and, based on appropriate data collection systems.

Assurance Methodology

The assurance work has been done in accordance with the internationally accepted sustainability report verification standards such as AA1000, IEA3000 and further in pursuant to the internal assurance verification standards. The Report has been evaluated against the following criteria:

- Materiality: The comparison between important issues in the report and indentified issues throughout the internal and external evaluations of importance by Lotte Shopping.
- Reliability: The review on accuracy and reliability of reported data and information.
- Completeness: The Comprehensive review on Lotte Shopping’s business operations and interconnected major issues.

In addition, The Report has also been assessed against the reporting criteria as outlined in the Global Reporting Initiative’s Sustainability Reporting Guidelines (GRI G3.1).

Scope of this assurance engagement

The Auditor’s assurance engagement covered, reviewed and examined the following:

- Review of whether financial data has been derived adequately and correct from the financial statement audited by an external third-party auditor
- Provision of assurance on whether policies and management systems in The Report are reflected adequately
- Provision of assurance on whether non-financial data in The Report is presented in full, and free of material misstatement

Assurance process and works undertaken

In order to provide assurance to the stakeholders, The Auditor undertook the following steps during the assurance engagement:

Verification Method of Completeness:

- Conducted physical visits of Lotte Shopping headquarters and branches & interviews for executive officers and relevant divisional staff
- Review of Lotte Shopping's business areas and activities
- Review of sustainability issues that Lotte Shopping's business may be affected by or stakeholders may be interested in
- Review of Stakeholders and environment that Lotte Shopping may affect
- Review of sustainability policy, guidelines and management system of Lotte Shopping Headquarters and branches.

Verification Method of Materiality:

- Review of the decision making process that determining important issues to include in the report
- Review of reports prepared by the media and non-profit organizations on Lotte Shopping’s business areas and activities
- Review on the results and processes of the stakeholders’ participation
- Benchmark for the level of sustainability report prepared by its leading peer group
- Conducted interviews with executives and related divisional staff

Verification method of Reliability:

- Conducted physical visits of Lotte Shopping headquarters and branches & interviews for executive officers and relevant divisional staff
- Review of Lotte Shopping’s headquarters and branches information collection process, data management system and monitoring system
- Review of internal data for non-financial performance indicators
- Review of the generated information collection of customers, employees, environment, health and safety by all branches and the process adequately to compile the information
- Verification for non-financial data by random sampling to ensure all compiling data by each braches was accurate.

Limitations of this assurance engagement

The scope of this assurance engagement was limited to LOTTE headquarter and a sample store visited in Korea. The Auditor did not conduct any visits to overseas facilities or projects in which LOTTE holds interests. Our review of data processes included the following data sets: environmental data, health & safety data, as well as social data. Verification of non-financial data was conducted based on samples on corporate and store level; however, not all data at all stores have been verified.

Findings

We reviewed and provided feedback on drafts of The Report and the data presented, and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that The Report does not properly describe LOTTE’s non-financial performance.

Our conclusions

On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on The Report. Our conclusions should be read in conjunction with the above section on “Assurance process and works undertaken” and “Limitations of this assurance engagement”.

1) Completeness

Has LOTTE provided significant information to its stakeholders in an appropriate manner? Has LOTTE reflected its business operation and external impacts in The Report?

- We consider that the scope of The Report and information contained in The Report reflects material information of sustainability management performance.
- We don’t consider that there are material issues that are not contained in The Report concerning stakeholders’ interests.

2) Materiality

Has LOTTE provided a balanced representation of material issues concerning LOTTE’s sustainability performance in its operations and business interests?

- Lotte Shopping is regularly conducting the importance of the evaluation process to determine Lotte Shopping’s sustainability performance and related issues. We consider that importance issues for stakeholders contained in The Report reviewed the relevant aspects of LOTTE’s stakeholders’ internal and external data and the participant process.
- We don’t consider that there are material information that are not contained in The Report concerning LOTTE sustainability management performance. Nothing has come to our attention that causes us to believe that LOTTE’s management has not applied its processes for determining material issues to be included in The Report, as described in “Assurance Methodology”.

3) Reliability

Are the contents and the data presented in The Report complete and free of material misstatements?

- We have reviewed internal policies, processes and management systems. Nothing has come to our attention that causes us to believe that The Report contents are not free of material misstatements.
- We have reviewed data collection systems and verified samples of the presented non-financial data. Nothing has come to our attention that causes us to believe that health, safety or environmental data presented in The Report has not been properly collected and consolidated from information reported at operations level.

Issues for further consideration

Followings are not affecting the conclusions of assessment; however, the following recommendations aim to improve LOTTE’s future reporting level of sustainability management performance.

- Lotte Shopping should define its mid & long-term quantitative objectives on sustainability management and should report objectives against annual progress; therefore, it is recommended to present in management phases under the clear goals.
- In connection with mid and long-term goals of sustainability performance, it is recommended to check and develop LOTTE’s KPI Lists.
- It is recommended to develop more direct and critical ways to measure sustainability performance and to monitor the internal progress, to measure the business value on the sustainability management activities.
- For LOTTE’s major business results including overseas market expansion, it is recommended to identify and develop local sustainability issues and systems and hence reporting its social and environmental performance are encouraged.
- It is recommended to establish the corporate-level sustainability strategy for Department Stores, Marts, Supers and Cinemas and to enhance communication across the business units therefore maximizing synergistic effect in LOTTE.

Our independence

The Auditor was not involved in the preparation of any part of The Report, and has no other affiliation with LOTTE that might compromise our independence or autonomy or place The Auditor under LOTTE’s influence, therefore ruling out any possible conflicts of interest.



August 24, 2013
Andy Gebhardt
Director, SolAbility Ltd.



SolAbility Co., Ltd. is a company based in Korea, exclusively specialised in corporate sustainability management services for corporate clients.

GRI G3.1 Index

Index Number	GRI Contents	Page	Reporting Level
Strategy & Profile			
PROFILE			
1.1	Declaration issued by CEO about reporting structure, strategy, and sustainability	3-5	●
1.2	Key impact, risk, description on opportunities	16-17	●
ORGANIZATIONAL PROFILE			
2.1	Organization title	3-7	●
2.2	Representative brand, product and/or service	6-7	●
2.3	Organizational operation structure	6-7	●
2.4	Head office/center location	Cover	●
2.5	Location of overseas business unit and number of countries, nation’s name having concrete relationship with sustainability issues covered in the report or key business unit	8-9	●
2.6	Features of ownership structure and legal form	6-7,28-29	●
2.7	Activity market form	6-7	●
2.8	Size of reporting structure	6-7	●
2.9	Key changes of size, structure, and ownership structure in reporting period	6-7,93	●
2.10	List of awards in reporting period	91-92	●
REPORTING PARAMETER		2	●
3.1	Reporting period		
3.2	Publication date of recent report	2	●
3.3	Reporting period	2	●
3.4	Report and contact info of report’s content	2	●
3.5	Processes for report’s content definition and decision	90	●
3.6	Reporting coverage	2	●
3.7	Concrete limited items about Reporting coverage and boundary	2	●
3.8	Reporting standards of important information on joint-venture company, subsidiary, etc	2	●
3.9	Standards of data measurement method and calculation	2	●
3.10	Reengineering results and reasons of information proposed in the previous reports	-	○
3.11	Changes of coverage, boundary, measurement method	2	●
3.12	Chart showing locations of general disclosures in the report	98-99	●
3.13	Policy and current practices about outside assurance of the report	96-97	●
CORPORATE GOVERNANCE, COMMITTEE, PARTICIPATION		28-29	●
4.1	Organizational ownership structure		
4.2	Describe if chairman of board of directors keeps the position of the executive	28-29	●
4.3	The number of independent members in board of directors	28-29	●
4.4	Mechanism proposing advice or direction to board of directors by shareholders and employees	28-29	●
4.5	Relationship between organizational achievements and incentives for members of board of directors	28-29	⦿
4.6	Conflict prevention process of for interests within board of directors	28-29	⦿
4.7	Selection process for qualification & expertise of board of directors	28-29	⦿
4.8	Internal mission and codes of conduct related to economic, environmental, social performance	18-21	●
4.9	Management and understanding process of economic, environmental, and social performance for board of directors	-	○
4.10	Performance evaluation process of board of directors	-	○
4.11	Implementation of the preventive approach process or its principle	-	○
4.12	Economic, environmental and social charters, principles, or other initiatives	14-15,36-37,64-65	●
4.13	Membership qualification of association, national or international organizations	-	○
4.14	List of participating stakeholders	90	●
4.15	Stakeholders identification and selection criteria	90	●
4.16	Process method of stakeholder participation	90	●
4.17	Key issues and corresponding process raised by stakeholders	17,90	●

Index Number	GRI Contents	Page	Reporting Level
Management approach and performance indicators			
ECONOMY			
EC 1	Direct economic value creation and distribution	93	●
EC 2	Financial effect for climate change and opportunities and risks about business activities	16	●
EC 3	Organizational incentive coverage for pension benefit plan	48	⦿
EC 4	Beneficial records of government subsidy	-	N/A
EC 5	Wage rate of entry-level employee to the minimum wage in major business sites	-	○
EC 6	Purchase policy, practice and ratio of major business units	-	○
EC 7	Local employment process of major business units and ratio of high-level managers	44	⦿
EC 8	Infrastructure investment and service support activities and effects for public interests	83-88	●
EC 9	Indirect economic effect	94	●
ENVIRONMENT			
EN 1	The usage standard of raw materials in weight or volume	-	N/A
EN 2	Recycling Ratio of used raw materials	-	N/A
EN 3	Direct energy consumption for primary energy resources	68-71	●
EN 4	Indirect energy consumption for primary energy resources	68-71	●
EN 5	Total energy saved amount by saving and efficiency improvement	68-71	●
EN 6	Energy reduction ratio as the results of the initiatives	68-71	●
EN 7	Initiative and achievement to reduce indirect energy consumption	72-75	●
EN 8	Total water intake by each supplier	70	●
EN 10	Total amount and ratio of water reused and recycled	-	○
EN 11	Possession, renting, managed ground location and size in eco system protection area	-	N/A
EN 12	Key impacts caused by corporate activities near eco system protection area	-	N/A
EN 16	Total emission amount of direct/indirect greenhouse gas	68-69	●
EN 17	Total emission amount of other indirect greenhouse gas	68-69	●
EN 19	Total emission amount of destructive materials of ozone layer	-	○
EN 20	Total emission amount of major air pollution materials like NOx, SOx, and others	-	N/A
EN 21	Total amount of waste water and water quality for each final discharge area	-	○
EN 22	Discharged amount of waste material in form and process methods	70-71	●
EN 23	Number and amount of Discharge of critical contaminated materials	-	N/A
EN 26	Initiatives and performance results for reducing the environmental effects of products and services	79-80	●
EN 27	Recycling ratio of sold products and packing materials by product categories	74	⦿
EN 28	Penalty charged for violation of environmental regulations and non-expense restrictions	-	N/A
LABOR AND PRACTICE			
LA 1	Employment type, employment contract, regional and gender of HR status	44-45	⦿
LA 2	Number and Ration of Transfer in age, gender and region	44-45,48	⦿
LA 4	Employee ratio for adopting collective negotiation	47	●
LA 5	Display of minimum notice period of key changes on collective agreement	-	○
LA 7	Occurrence number of injury, occupational disease, missed workdays, absence, and occupational accidents	-	○
LA 8	Supporting program for critical diseases to employees, families and local communities	53	●
LA 10	Annual educational period per employee by position	21	●
LA 11	Life-long educational program to support continuous employment and retirement management	48	●
LA 12	Employee ratio for periodic evaluation on performance and career development	46-47	⦿
LA 13	Governance structure on employment of gender, age and other diversity related index	46-47	●
LA 14	Basic wage ratio in categorized employment on male & female portion	-	○
HUMAN RIGHTS			
HR 1	Major investment contract ratio for containing human rights provision or human rights inspection	-	○
HR 2	Ratio of human rights inspection for major suppliers and contractual firms	-	○
HR 3	Employee ratio of human rights policies & training	-	○
HR 4	Total number of Car accidents by automobile class and related handling procedure	-	○
HR 5	Measures to support for freedom of association and collective negotiation	47	●
HR 6	Management to eradicate child labor and high occurrence business units	34-35	⦿
HR 7	Management to eradicate forced labor and high occurrence business units	34-35	⦿
HR 8	Trained security personnel ratio for human rights policies and procedures	-	○

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Index Number	GRI Contents	Page	Reporting Level
HR 10	Business sites ratio for human rights supervision and its impact assessment	-	○
HR 11	Total number of resolving human rights grievance by formal mechanism	34-35	●
ORGANIZATIONAL PROFILE			
S0 1	Evaluation and Management Program's feature and effectiveness for impact on local communities	83-89	◐
S0 2	The number and ratio of business units analyzed for corruption risk	-	○
S0 3	Employee ratio of education for anti-corruption policy and process	34-35	●
S0 4	Measures for corruption accidents	34-35	●
S0 5	Position for public policy and attendance to public policy implementation and its lobbying activities	-	○
S0 8	Penalty and non-expense restrictions charged for violation of law and regulations	-	○
PRODUCT GUARANTEES			
PR 1	Customer's health and safety protection policy	62-63	●
PR 3	Information categorization of products and services with process-based request	-	○
PR 5	Customer satisfaction related activities including the results of customer satisfaction Survey	56-57	●
PR 6	Communication related policy and program including advertisement and sponsorship	-	N/A
PR 9	The number and amount of penalty for violation of law and regulation on products and services supply	-	N/A

● Disclosed in The Report ◐ Partial Disclosed in The Report ○ Not Disclosed in The Report N/A Not Available

UN Global compact

Lotte Department Store has joined the UN Global Compact in January 2007, the first in the industry, and hereby declares our comprehensive support to the purposes of the UN in Human rights, labor standards, environment and anti-corruption; and the UN Global compact’s 10 principles are part of our actual corporate strategy, corporate culture and corporate management.



Category	Principle		Page
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	Codes of Ethics 4-10 Compliance or laws and regulations 34-35
			Codes of Ethics 6-17 Sound corporate activitiess 34-35
Labour	Principle 2	Make sure that they are not complicit in human rights abuses.	Codes of Ethics 4-10 Compliance or laws and regulations -
	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Codes of Ethics 4-10 Compliance or laws and regulations -
	Principle 4	The elimination of all forms of forced and compulsory labour	Codes of Ethics 4-10 Compliance or laws and regulations 47
	Principle 5	The effective abolition of child labour	Codes of Ethics 4-10 Compliance or laws and regulations 34-35
	Principle 6	The elimination of discrimination in respect of employment and occupation.	Regulation of Equal treatment 44-47
			employment 1-4
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges	Codes of Ethics 6-19 Environment-friendly 67-75
	Principle 8	Undertake initiatives to promote greater environmental responsibility	Codes of Ethics 6-19 Environment-friendly 67-75
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies	Codes of Ethics 6-19 Environment-friendly 67-75
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Codes of Ethics 4-10 Compliance or laws and regulations 34-35
			Codes of Ethics 6-17 Sound corporate activities 34-35