

Think Tomorrow

Lotte envisions a future of
respect for humanity, environmental stewardship and cultural abundance.



Contents

Think Sustainability

- 02 _ CEO's message
- 04 _ Company overview
- 05 _ 2018 Vision
- 06 _ Sustainability management framework
- 07 _ Determining sustainability issues
- 09 _ Stakeholder communication
- 11 _ Corporate governance
- 13 _ Ethics management
- 16 _ Risk management
- 18 _ Sustainability performance

Think Economy

- 22 _ Economic performance
- 24 _ Global growth strategy
- 28 _ Responding to changes in the distribution environment
- 30 _ Management innovation activities



Think Customer

- 36 _ Customer-oriented management
- 39 _ Communicating with customers
- 40 _ Customer relationship management
- 42 _ Customer data protection
- 44 _ Safe shopping environment
- 45 _ Product safety management
- 48 _ Providing accurate product information

Readers' Guide

1. Reporting principle

This report was prepared based on Sustainability Reporting Guidelines by Global Reporting Initiative (G3) and contains all GRI G3 profile disclosures. Lotte Shopping made every effort to include disclosures of management approach for each indicator category and to report its performance against the GRI G3 key performance indicators.

2. Reporting scope

Among Lotte Shopping's four business divisions (Lotte Department Store, Lotte Mart, Lotte Super, Lotte Cinema), this report covers the economic, environmental and social performance of Lotte Department Store and Lotte Mart. Report coverage extends to the headquarters and all stores of Lotte Department Store and the headquarters and all stores of Lotte Mart. The company overview and financial results are based on Lotte Shopping. Information on environmental and social performance does not include overseas subsidiaries.

3. Reporting period

The reporting period is from January 1, 2009, to December 31, 2009. Based on the going concern principle, this report includes partial coverage of sustainability management activities carried out in the first half of 2010. This explains why it was issued as the '2010 sustainability report'. Figures and graphs on performance were presented based on data of the past three years to enable trend analysis.

4. Third party assurance

All report contents were verified by Solability, an independent outside agency. Refer to the third party assurance for details.



Think Environment

- 52 _ Environmental management policy
- 54 _ Environmental management system
- 55 _ Minimizing environmental impact - energy
- 59 _ ECO STORE
- 60 _ Minimizing environmental impact – water resources
- 61 _ Minimizing environmental impact – waste
- 62 _ Reduced packaging
- 64 _ Expanded distribution of environmentally friendly products
- 67 _ Green partnership
- 68 _ Campaign to promote green values
- 71 _ Lotte Green Fund

Think Society

- 74 _ UN Global Compact
- 75 _ Social contribution direction and performance
- 76 _ Childbirth promotion campaign
- 77 _ Social contribution activities
- 79 _ Global social contribution
- 81 _ Together with local communities
- 84 _ Partnership management
- 86 _ Supporting exemplary SMEs
- 88 _ Serving our co-workers
- 89 _ Fair trade practices and training system



Great Workplace

- 94 _ Employees
- 95 _ Ideal employee and competency development
- 99 _ Performance and compensation
- 100 _ Employees' interests
- 102 _ Creating a happy and healthy workplace
- 104 _ Work-life balance
- 106 _ Open management based on communication



Appendix

- 108 _ Third party assurance
- 110 _ GRI Index

Additional information

For additional information, please contact the following or refer to the following websites.

Corporate Social Responsibility, Management Planning Team, Planning Division, Lotte Department Store

- Address : 17 fl. Lotte Shopping Center Building, #1 Sogong-dong, Jung-gu, Seoul, Korea
- Tel : 82-2-2118-2030 ~ 3
- Fax : 82-2-2118-2280
- email : aoii@lotteshopping.com

Management Planning Team, Planning Division, Lotte Mart

- Address : 40-1 Jamsil-dong, Songpa-gu, Seoul, Korea
- Tel : 82-2-411-8510 ~1
- Fax : 82-2-411-8998
- email : dlsdnd1107@lottemart.com

Website

- Lotte Department Store www.lotteshopping.com
- Lotte Mart www.lottemart.com
- Lotte Green www.lottegreen.co.kr
- Lotte Shopping disclosures www.lotteshoppingir.com



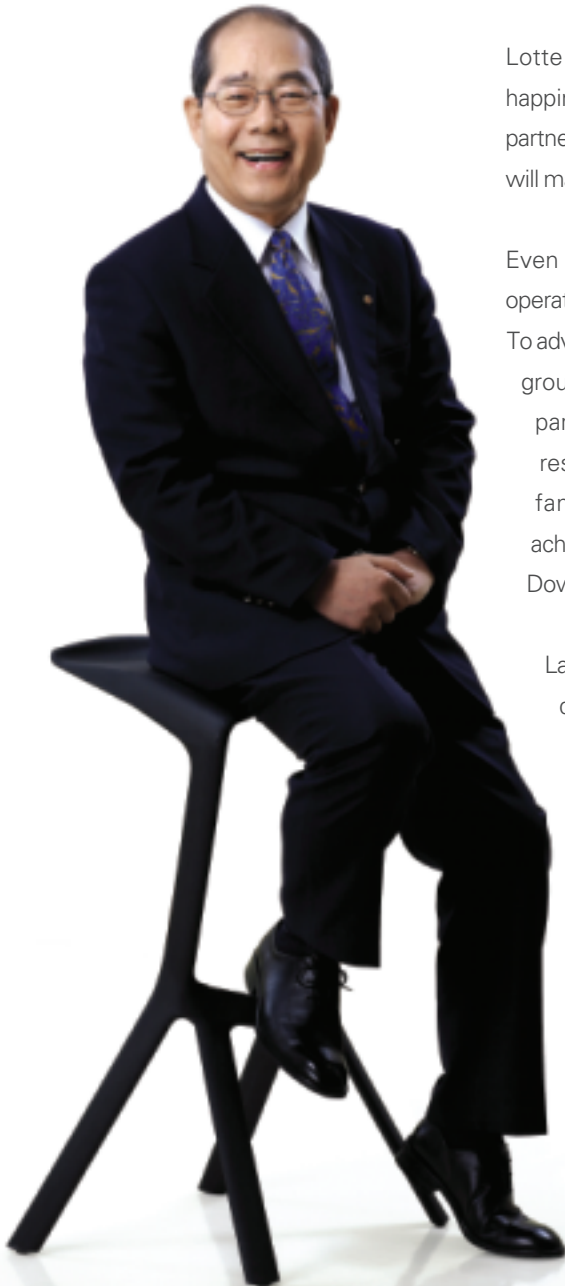
2010

SUSTAINABILITY REPORT



CEO's message

Lotte Shopping is opening a prosperous future through sustainability management



Lotte Shopping pursues sustainability management with the objective of delivering happiness and prosperity to all stakeholders including customers, employees, business partners and local communities. We firmly believe that our activities to promote sustainability will maximize corporate value and allow us to overcome crisis and sustain growth.

Even in the midst of the global economic slowdown, Lotte Shopping expanded global operations and continued to grow in 2009. We also made progress in non-financial aspects. To advance green lifestyles, we reinforced our environmental management system, laid the groundwork for greenhouse gas reduction, pursued green partnership with business partners, and promoted green lifestyles among customers. We also contributed to resolving social issues through a campaign to promote childbirth and strengthened family-friendly management for employees. In recognition of our sustainability achievements, Lotte Shopping became the first Korean retailer to be represented in the Dow Jones Sustainability World Index (DJSI World).

Last year, Lotte Shopping adopted a new vision of becoming one of the world's top 10 distribution companies by 2018. Along with bold innovation and management efficiency, a firm commitment to corporate social responsibility is essential to realizing the new vision. This year, we set up the Sustainability Management Committee and have been concentrating our efforts on building a solid system for sustainability management and enhancing communication with stakeholders. In addition, this year marks the first issuance of the 'Lotte Shopping Sustainability Report' which offers more complete coverage of our sustainability activities and performance. Coverage of our previous reports was confined to Lotte Department Store.

Lotte Shopping will keep its ears open to stakeholders' views and do our best to be a globally respected and trusted company. We look forward to continued interest and encouragement from our stakeholders. Thank you.

Lee Chul - Woo
Lotte Shopping CEO



Lotte Mart is well aware of the importance of corporate social responsibility and is sparing no effort in its drive to grow into the No.1 retailer in Asia. Despite a weak global economy in 2009, we made further strides as a global enterprise through M&A and new store openings and had a total of 185 stores in operation including 100 stores in overseas locations such as China, Indonesia and Vietnam. To garner respect as a world-class company, we promote a corporate culture that emphasizes customer satisfaction, win-win relations with business partners, and vision and growth for employees led by our core value of delivering happiness. We also continue to engage in social contribution activities and environmental management. Lotte Mart remains committed to generating economic performance through merchandise development offering unrivalled value and management innovation and to fulfilling our responsibility to society. With the publication of this report, we will also step up stakeholder communication. We ask for your unwavering support as we pursue continued growth with our stakeholders.

Noh Byung - Yong
Lotte Mart CEO



Lotte Super is building a nationwide store network as well as a firm market presence based on standardized operational systems, diversified product sourcing, and efficient logistics and services. Under the slogan of 'fresh products, friendly neighbors', we give priority to sourcing regional products in order to supply fresh and safe goods while contributing to local economies. Lotte Super also supports local communities through volunteering activities. In tune with heightening awareness of climate change and other environmental issues, we apply environmental standards in all decision-making and are striving to reinvent Lotte Super as an eco-partner that provides earth-friendly products and services. We will do our best to grow as a sustainable enterprise that respects people and nature and values communication with local communities.

So Jin - Seo
Lotte Super CEO



With a business scope spanning multiplex movie theaters along with film investment and distribution, Lotte Cinema is establishing itself as a provider of multi-cultural venues offering one-stop entertainment. From site selection to wide-ranging services, our movie theater operations are guided by an underlying devotion to people and the environment. With eco-friendly facilities and cutting-edge equipment that create a pleasant viewing environment combined with services that go beyond customers' expectations, we aim to enhance customer satisfaction. Lotte Cinema is committed to becoming a sustainable enterprise that furthers customer value and meets the diverse needs of stakeholders.

Sohn Kwang - Ik
Lotte Cinema CEO



Company overview

Established in 1979, Lotte Shopping started off with the operation of department stores. Since then, we have expanded our business scope to discount stores, supermarkets and cinemas to grow into Korea's leading distribution company. We are also building a global presence with department stores, discount stores and cinemas in overseas markets including China, Russia, Vietnam and Indonesia.

Corporate profile



Corporate profile

Company name	Lotte Shopping Co., Ltd.
Date established	November 15, 1979
Core business	Large-scale retail stores
Capital stock	KRW145.2 billion



Lotte Shopping continued with new store openings in 2009. The additions during the year included one department store, one outlet and nine discount stores (six in Korea and three overseas). In the domestic market, we also made further progress in the outlet, shopping mall, category killer, and fashion brand (development and import of prominent overseas brands) businesses. In the global markets, we opened our first overseas department store in Moscow, Russia, in September 2007 which was followed by the second overseas department store opening in Beijing, China, in August 2008.

In the discount store segment, Lotte Shopping was operating 79 stores in China, one in Vietnam and 19 in Indonesia as of the end of December 2009. To establish a firm presence in China, we acquired the Times supermarket chain (53 discount stores, 12 supermarkets). We will continue to pursue overseas business expansion and store openings. Coverage of non-financial performance in this report extends to only our department store and discount store divisions, but we plan to expand coverage to all business divisions in future reports.

Lotte Shopping's business divisions

Division	Date established	No. of stores	Merchandise
Dept. store	Nov. 1979	35 (domestic: 33*, overseas: 2)	Clothing, sundries, home appliance, furniture, jewelry, food
Discount store	Apr. 1998	185 (domestic: 85**, overseas: 100)	Food, household supplies, clothing, sundries
Supermarket	May 2001	242	Food, household supplies, sundries
Cinema	Sep. 1999	54 (411 screens)	Multiplex movie theater

*Domestic: 35 (department store: 29, Young Plaza: 2, outlet: 4), includes 6 operated indirectly under management contracts

** Logistics center: 2 (Osan Logistics Center, Gimhae Logistics Center)

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THINK CUSTOMER
THINK ENVIRONMENT
THINK SOCIETY
GREAT WORKPLACE
APPENDIX



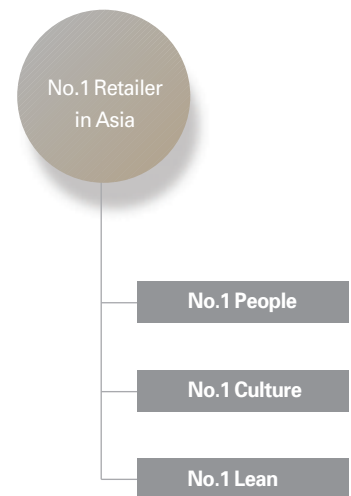
2018 Vision

Guided by the 2018 Vision and business policy, Lotte Shopping has begun the process of reinventing itself as a global distribution company. With the goal of growing sales four-fold from the current level and becoming one of the world's top 10 distribution companies, we will pursue a sustainable growth strategy, aggressive overseas expansion, new businesses, and bold innovation. We will hone employees' capabilities and foster a corporate culture befitting a global top 10 enterprise.

| 2018 Vision for Lotte Department Store |



| 2018 Vision for Lotte Mart |



2010 Catchphrase

To attain the 2018 Vision, Lotte Shopping adopts a catchphrase every year that embodies the core principles governing our business activities.

2010 CATCHPHRASE



• Lotte Department Store

Be Professional!

Passion & Challenge	Professionals who embrace challenge with passion
Creation & Innovation	Professionals who pursue creation and innovation
People & Communication	Professionals who respect and communicate with others

• Lotte Mart

Dedication to customers

Communication: How may we help you?
Action: Here you go.
Appreciation: Have a great day.



Sustainability management framework

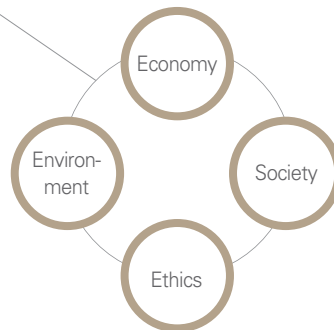
Sustainability and corporate social responsibility (CSR) are underlying principles behind business activities at Lotte Shopping. We give consideration to environmental and social issues across all facets of our operations.

Mid-to-long-term vision

Globally respected corporate sustainability leader

Lotte Shopping will lead sustainability management in the distribution industry to establish itself as a globally respected corporate sustainability leader.

| CSR policy |



Economy_Create economic value and pursue sustainable growth
Maximize economic value and contribute to profit generation for shareholders and customers through a sustainable growth strategy

Environment_Preserve the planet and prevent climate change
Preserve the planet and prevent climate change by putting priority on environmental value across all aspects of business activities

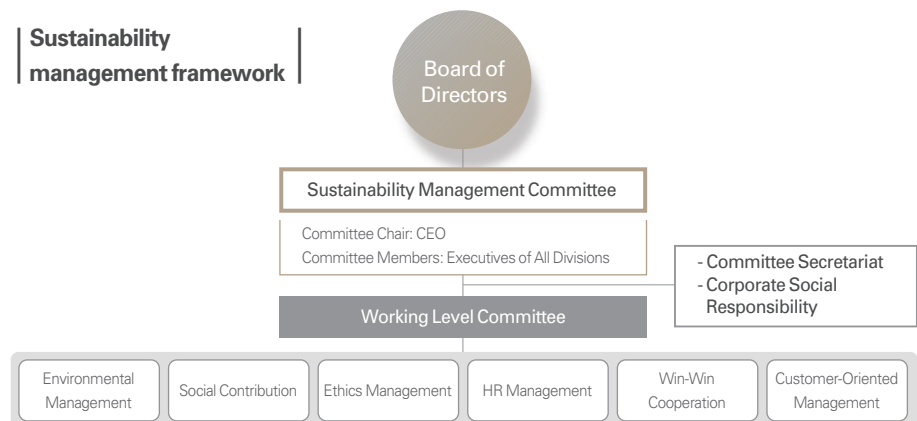
Ethics_Comply with corporate ethics and promote fair business practices
Become a company trusted by customers by strictly complying with corporate ethics and fostering clean business practices

Society_Contribute to sustainable development through strategic social contribution
Contribute to sustainable development of the nation and local communities through strategic social contribution

► Sustainability Management Committee

Lotte Shopping set up its Sustainability Management Committee in 2010. Nine executives sit on the committee which is chaired by the CEO. The committee deliberates on the strategic direction of sustainability management and decides on major action plans.

| Sustainability management framework |



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THINK ECONOMY
THINK CUSTOMER
THINK ENVIRONMENT
THINK SOCIETY
GREAT WORKPLACE
APPENDIX



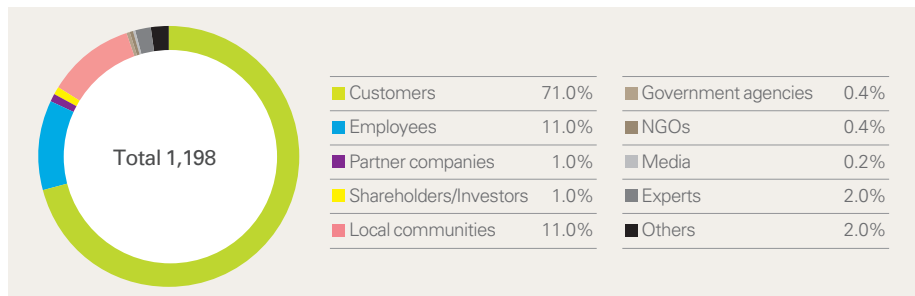
Determining sustainability issues

In preparing the 2010 Sustainability Report, Lotte Shopping carried out a materiality analysis of major issues. As the first step, an online survey was conducted to identify the level of stakeholders' interest in various sustainability issues. A total of 1,198 stakeholders responded to the survey. In addition, we carried out an internal analysis to gauge the significance and impact of the issues. We drew up a materiality matrix based on the key sustainability indicators and 17 material issues have been separately indicated in this report. Going forward, we plan to focus on managing the material issues and communicate the results to stakeholders.

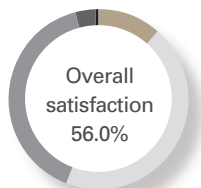
2010 stakeholder survey

The 2010 stakeholder survey was conducted online via the company website and we received responses from 1,198 stakeholders. We attempted to gather the views of diverse stakeholder groups including customers, employees, research centers, and sustainability experts from the corporate sector. Efforts will continue to achieve balanced representation of the different stakeholder groups in future surveys.

| Breakdown of stakeholder survey respondents |



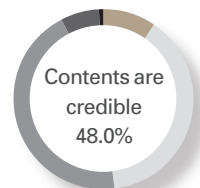
| Satisfaction level of 2009 Sustainability Report |



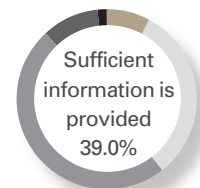
Strongly agree	11.6%
Agree	44.4%
Neutral	40.0%
Disagree	3.5%
Strongly disagree	0.5%



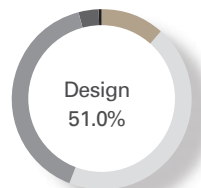
Strongly agree	9.4%
Agree	40.6%
Neutral	41.5%
Disagree	5.1%
Strongly disagree	0.5%



Strongly agree	9.6%
Agree	38.5%
Neutral	44.2%
Disagree	6.9%
Strongly disagree	0.8%



Strongly agree	8.0%
Agree	31.5%
Neutral	48.8%
Disagree	10.2%
Strongly disagree	1.5%



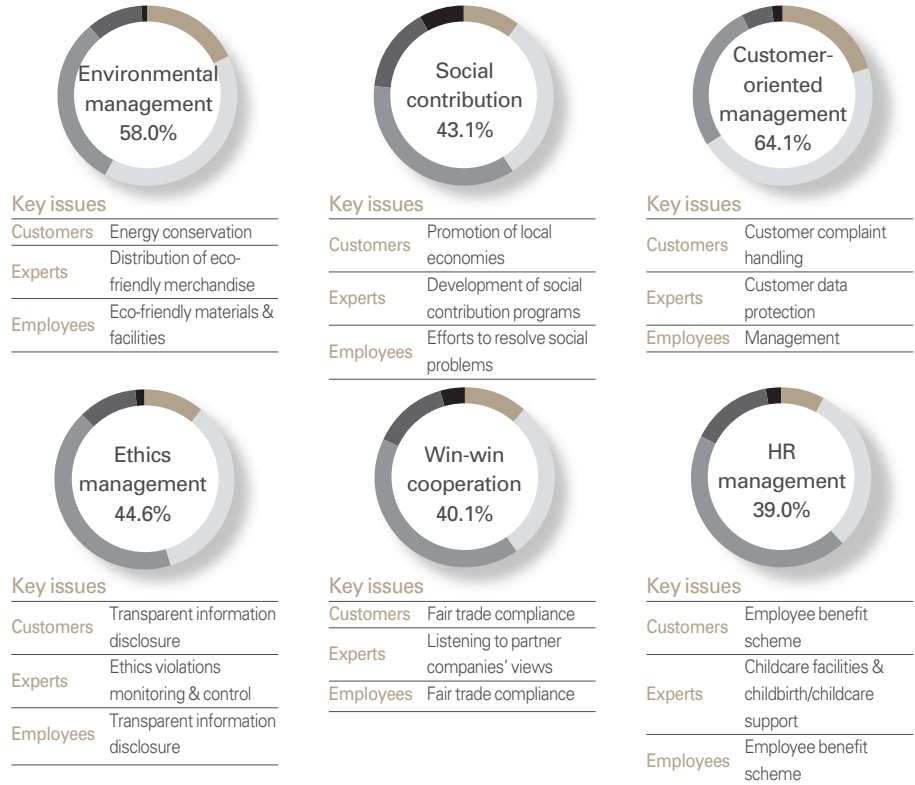
Strongly agree	10.4%
Agree	40.9%
Neutral	41.5%
Disagree	5.9%
Strongly disagree	1.3%

Materiality analysis

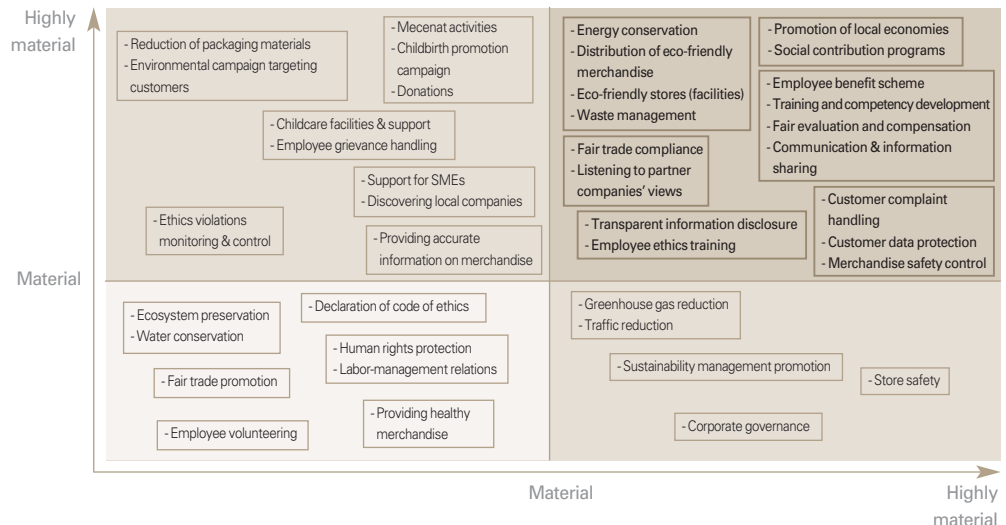
In deciding on sustainability management tasks and goals, Lotte Shopping considers issues in which stakeholders have an interest and analyzes the materiality and impact of issues on our operations. We selected a total of 44 issues based on international standards on sustainability reporting such as the GRI Guidelines and DJSI performance indicators, issues in the media, and internal issues such as the company's business strategy and major undertakings. We then prepared a survey to assess the level of interest per stakeholder group and materiality.

| Interest level per stakeholder group |

■ Highly sufficient ■ Sufficient ■ Fair ■ Insufficient ■ Highly insufficient



| Materiality assessment matrix |



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THINK ECONOMY

THINK CUSTOMER

THINK ENVIRONMENT

THINK SOCIETY

GREAT WORKPLACE

APPENDIX



Stakeholder communication

Lotte Shopping defines shareholders, employees, customers, partner companies, local communities, and government as major stakeholders. Sustainability management at Lotte Shopping refers to activities aimed at fulfilling our responsibilities to diverse stakeholders and providing value that meets stakeholders' expectations.

Lotte Shopping stakeholders



Stakeholder communication

Lotte Shopping offers diverse communication channels to receive stakeholders' views and requests and reflects them in how it conducts its business. At the same time, we strive to convey information on major company policy or business activities to stakeholders. Regular surveys are conducted to gauge the satisfaction levels of customers, employees and partner companies, and the survey results are used to identify grievance and risk factors. We also have direct problem-solving channels such as customer service centers and employee counseling, in addition to channels for making requests and delivering information such as conventions and meetings for partner companies and employee meetings.

The company website and intranet allow for two-way communication via the online medium so that anyone can easily present their views and receive immediate feedback. For shareholders, we hold conference calls and other IR activities and operate an online disclosure system.

| Communication channel per stakeholder group |



2010 performance

Stakeholders	Details	Stakeholders	Details
Customers	<ul style="list-style-type: none"> Customer satisfaction survey (Mar. 2009) - 0.8% increase compared to second half of 2008 Homemaker monitoring scheme (Sep. 2009) - 314 homemaker monitors 	Local communities	<ul style="list-style-type: none"> Agreement on low-carbon green growth and mutual development in Busan (Jan. 2010) - Agreement on promotion of public transport use by employees (Busan Transportation Corp.) Strategic MOU with producer groups under National Federation of Fisheries Cooperatives (May 2009)
Employees	<ul style="list-style-type: none"> CEO-employee meeting (annual) - participation by 693 employees from 23 stores 2009 Labor-management harmony declaration (Apr. 2009) 	Government	<ul style="list-style-type: none"> Green Start agreement with Ministry of Environment (Jul. 2009) Agreement on childbirth promotion campaign with Ministry of Health & Welfare (Sep. 2009) MOU on trial project for carbon emissions trading (Dec. 2009) MOU on pilot program for electric vehicle charging infrastructure (Jan. 2010)
Partner companies	<ul style="list-style-type: none"> Employee satisfaction survey - Conducted 2 times for Lotte Department Store and 4 times for Lotte Mart in 2009 		
Shareholders	<ul style="list-style-type: none"> General shareholders' meeting (Mar. 2009) - Audit report, business report Conference call (4 times a year) - Exchange of views between senior management and domestic/overseas shareholders 		

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THINK ECONOMY

THINK CUSTOMER

THINK ENVIRONMENT

THINK SOCIETY

GREAT WORKPLACE

APPENDIX



Corporate governance

Lotte Shopping is committed to ensuring transparent and sound corporate governance that meets global standards.

Board of directors

The Lotte Shopping board of directors comprises 11 directors, six of whom are outside directors. The directors serve two-year terms. At present, CEO Lee Chul Woo serves as chairman of the board. Three new outside directors were appointed at the general shareholders' meeting in March 2010: Park Kyeong Beom, executive advisor of Korea Metal Can Resources Association; Kim Se Heon, professor of KAIST; and Rhee Hong Ro, independent director of Korea Exchange. They filled the seats vacated by three outside directors whose terms had expired. The eligibility criteria for outside directors is based on article 191-16, paragraph 3 and article 54-5, paragraph 4 of the Securities and Exchange Act, and article 37-6, paragraphs 2 and 3 of the enforcement ordinance of the same law. The compensation limit for directors is subject to approval at the general shareholders' meeting.

BOD authority

The BOD deliberates and decides on matters set forth under law and the company's articles of incorporation, referred to by the general shareholders' meeting, and related to basic company policy and operation. With respect to executives' performance, the board may seek the opinions of pertinent executives or outside persons or seek advice from related experts if deemed necessary.

Composition of the board of directors

Name	Title	Recommended by	Duties as director
Shin Kyuk - Ho	Chairman, Lotte Group	BOD	Representative director
Shin Dong - Bin	Vice Chairman, Lotte Group	BOD	Representative director
Lee Chul - Woo	CEO, Lotte Group	BOD	Representative director, BOD chairman, ODRC chairman
Lee In - Won	CEO, Lotte Group	BOD	Representative director
Shin Young - Ja	President, Lotte Group	BOD	Inside director
Jwa Sung - Hee	President, Gyeonggi Research Institute	ODRC	Outside director
Kim Se - Ho	Advisor, Bae, Kim and Lee	ODRC	Outside director
Kim Se - Heon	Professor, KAIST	ODRC	Outside director, Audit committee chairman, ODRC member
Park Kyeong - Beom	Executive Advisor, Korea Metal Can Resources Association	ODRC	Outside director, Audit committee member
Im Jong - In	Head of Management Information Science, Korea University	ODRC	Outside director
Rhee Hong - Ro	Independent Director, Korea Exchange	ODRC	Outside director, Audit committee member

Note: ODRC refers to Outside Director Recommendation Committee.

Average BOD attendance rate

98%

BOD resolutions

- Approval of financial statements and business report
- Audit Committee's internal accounting control evaluation report
- Progress and plans related to fair trade compliance program
- Split-off of Lotte Shopping's KKD Division
- Business transfer of Lotte Shopping's Food Division
- Change in the Moscow Office head
- Establishment of Shanghai Office in China
- Store opening, etc.

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 14 meetings in 2009.

BOD meetings & outside director attendance rate

Meeting	1	2	3	4	5	6	7
Date	2009.01.22	2009.02.12	2009.02.26	2009.03.20	2009.04.23	2009.05.28	2009.06.25
Attendance	6/6	5/6	6/6	6/6	6/6	6/6	6/6
Meeting	8	9	10	11	12	13	14
Date	2009.07.23	2009.08.28	2009.09.18	2009.10.16	2009.11.20	2009.12.23	2009.12.31
Attendance	6/6	5/6	6/6	6/6	6/6	6/6	6/6

BOD committees

The Outside Director Recommendation Committee and Audit Committee were set up 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. The committee, composed of one inside director and one outside director, held one meeting in 2009. The Audit Committee, comprising three outside directors, convened six times in 2009.

► Compensation for directors in 2009

Compensation for directors is subject to the directors' compensation ceiling approved at the general shareholders' meeting. The approved ceiling in 2009 was KRW11.0 billion, the same as the previous year. The compensation amount paid out was KRW4,748 million.

General shareholders' meeting

The general shareholders' meeting has the top decision-making authority and decides on matters set forth under law or the company's articles of incorporation. The annual meeting is held within three months from the end of a fiscal year. Extraordinary meetings are called when deemed necessary through resolution of the board of directors. Each stock gives its holder one voting right. A voting right can be exercised by proxy if a shareholder is unable to attend a meeting. Ordinary resolutions must be approved by the majority of shareholders present and represent more than one-fourth of total outstanding shares. Extraordinary resolutions require approval by more than two-thirds of shareholders present and must represent more than one-third of total outstanding shares.

Protecting shareholders' interests

The main function of the IR (Investor Relations) team is to protect the interests of shareholders. The team serves as a messenger, providing shareholders with the latest updates on the company while collecting the views of shareholders and conveying them to senior management. Each quarter, the team organizes conference calls which serve as a forum of exchange on the company's operating results and future plans between domestic and overseas shareholders and the executive team. Shareholders may also present their views via the IR homepage which are subsequently relayed to the CEO and board of directors.

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THINK ECONOMY

THINK CUSTOMER

THINK ENVIRONMENT

THINK SOCIETY

GREAT WORKPLACE

APPENDIX



Ethics management

Under the belief that management transparency is a prerequisite for a sustainable enterprise, Lotte Shopping takes steps to ensure that employees comply with relevant laws and engage in ethical conduct. Efforts aimed at minimizing ethical risks include the operation of a team dedicated to ethics management, distribution of ethics guidelines, ethics training, campaigns and prevention activities, and initiatives to promote ethics management among partner companies.

Code of ethical conduct and bylaws

The Lotte Shopping code of ethical conduct was adopted in 2001 as a way of promoting ethical values. The code of ethical conduct bylaws set forth detailed guidelines on conduct to be observed by all employees.



Ethics training and campaign

Every year, Lotte Shopping conducts offline training on the significance and implementation of ethics management for new recruits and newly promoted managerial staff. We also hold training and campaigns to promote ethical awareness among partner companies..

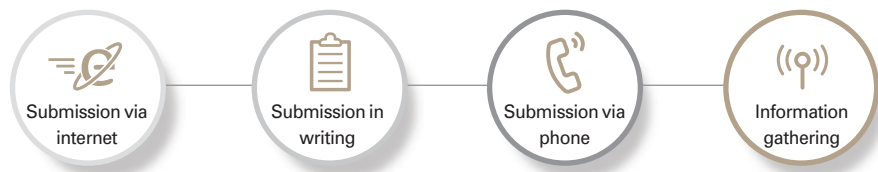
- Ethics training for new recruits: Held 2 times a year
- Ethics training for newly promoted managerial staff: Held 1 time a year
- Campaign and training on sound holiday culture: Held 2 times a year
 - Voluntary reporting of acceptance of money/goods to the Ethics Committee and dispatch of letter to the money/goods-giving company
- Partner company engagement campaign: Campaign mail sent 2 times a year

Ethics secretariat

The Ethics Secretariat is a working-level body under the Ethics Committee whose functions include assessing implementation of the code of ethics and the code of ethical conduct and maintaining an effective compliance program. It also carries out corporate ethics training to prevent unethical conduct and provides guidance on business ethics.

► Ethics management ombudsman channels

We offer diverse channels through which an employee, partner company or customer can report ethics violations or make suggestions related to ethics management. Examples of violations include wrongdoing by an employee, damage to reputation or unethical conduct.



- Submission via Internet: Lotte Group ombudsman, Ethics Secretariat homepage, EDI homepage (Bitter/Sweet Comments), ERP cyber-audit
 - Lotte Department Store Ethics Secretariat (<http://www.lotteshopping.com/customer/ethics>)
 - Lotte Mart Ethics Secretariat (<http://company.lottemart.com/ethics>)
- Submission in writing: Regular or registered mail sent on an anonymous or identified basis
- Submission via phone: Phone report directed to the MR Team on an anonymous or identified basis
- Information gathering: Information obtained by Ethics Secretariat investigators from employees in stores and headquarters and vendor employees

Protection of internal informants

● We maintain a system for protecting internal informants to detect and prevent ethics violation through internal reporting. The system ensures strict confidentiality of informants and protects them from retaliation or unfair treatment. Reported violations are subject to examination and verification procedures and those guilty of breaches are held responsible for their actions.

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THINK ECONOMY

THINK CUSTOMER

THINK ENVIRONMENT

THINK SOCIETY

GREAT WORKPLACE

APPENDIX

■ Prevention activities for ethics management

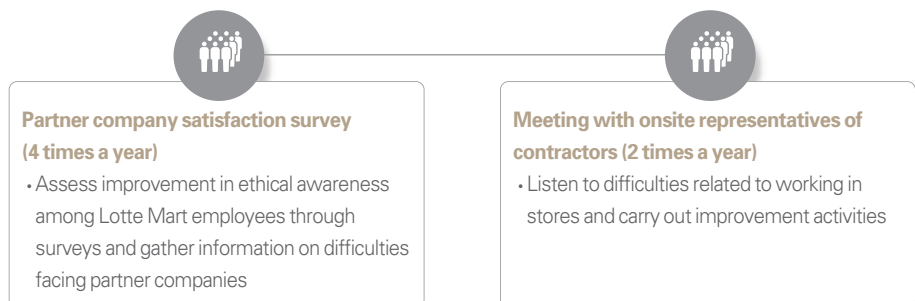
► Ethics management manual

Lotte Department has prepared and distributed a manual that enables departments to identify risks associated with carrying out their duties and make necessary improvements based on self-inspections.

- Select weak points per department
- Identify risk of ethics management violation (define major risk per department)
- Check whether actions are being taken for risk management and risk removal
- Continue to promote ethics management via inspection feedback

► Listening to partner companies' views and related activities

Lotte Mart assesses improvements in ethical awareness among employees and pays attention to the opinions of partner firms' employees stationed in stores and carries out improvement activities to prevent ethical violations.



► Disciplinary action for ethical violations

If a wrongdoing is uncovered, steps are taken to investigate and verify the incident and the person(s) guilty of violation is held responsible for the wrongdoing. Ethical breaches are declining thanks to ongoing training to prevent violations, ethics management campaigns, and sharing of information on follow-up measures taken. In 2009, the Ethics Secretariat of Lotte Department Store uncovered 20 violations, most of which involved receipt of money/goods from partner companies and causing damage to reputation. Depending on the severity of the breach, nine individuals were dismissed and 12 were subject to disciplinary action. A total of 10 violations were detected at Lotte Mart, with two persons being dismissed and eight persons facing disciplinary action.



Risk management

Lotte Shopping is exposed to various risk factors in carrying out its business activities. We define all tangible and intangible risk factors facing the company and carry out diverse activities for risk prevention.

| Risks facing Lotte Shopping |



Risk management guidelines

Due to the nature of department stores and discount stores, a disaster or accident has a significant ripple effect. To ensure swift response in the event of an accident, Lotte Department Store and Lotte Mart have prepared guidelines for conduct and control measures and carries out related training. Additionally, clear job descriptions have been drawn up related to risk management. Risk management guidelines have been distributed throughout the company in order to prevent accidents and minimize damage.

| Accident response framework |



	Details
①	Secure accident site, identify accident details, assess situation
②	CEO, oral report by Administrative Division head (accident details, planned countermeasures)
③	Identify cause of accident and assess damage, order countermeasures to be drawn up

	Details
④	Meeting of related departments
⑤	Assess overall situation and report measures to prevent recurrence
⑥	Report to CEO

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THINK SOCIETY
GREAT WORKPLACE
APPENDIX

Risk definition and management system

Lotte Shopping defines risks according to risk type. Based on analysis of the possibility of a risk occurring and its impact, we maintain a strategy and system to minimize risks.

Risk response system

	Risk factor	Risk definition	Impact	Strategy & system to reduce/minimize risk
Merchandise	Fake labels	Components/ingredients of merchandise	Loss of customer trust in merchandise	Quality inspection of merchandise at each store
	Erroneous product information	Errors in expiry date, etc.	Deterioration in brand loyalty	Cooperation with Lotte Merchandise Testing Lab Partner company verification system
	Food safety	Problems detected via hygiene inspection by govt. agencies Health problems suffered by consumers such as food poisoning in summer	Loss of customer trust Impact on reputation due to negative media coverage	Monthly theme on food hygiene of quality assessment firms Adopting systems for hygiene certification such as HACCP Tracing food production, etc.
Disasters and accidents	Fire accidents	Fire caused by negligence of customers or persons in charge	Linked to the safety and lives of customers and employees Damage to social image and business continuity Damage to property	Introducing risk management guidelines Determining overseeing dept. and response system per accident type Ongoing prevention training
	Traffic accidents	Accidents occurring when vehicles enter/leave premises	Linked to the safety and lives of customers and employees	Introducing risk management guidelines
	Facility accidents	Fatal accidents in customer facilities such as escalators and elevators	Impact on corporate image in the event of problems with facility management	Determining overseeing dept. and response system per accident type Ongoing prevention training
Business environment	GDP growth	Outlook for slowdown in GDP growth and private consumption	Close link between revenues and personal income levels due to nature of retail business Revenue reduction, risk of low growth	Setting up a management system for scenarios based on economic swings
	Global economy	Outlook for slow growth of global economy	Negative impact on operations in newly emerging economies such as China, Russia, Indonesia and Vietnam But overseas revenues currently account for a small portion of total revenues	Setting up a management system for scenarios based on economic swings
	Foreign exchange fluctuation	Sharp currency fluctuation due to economic swings	No direct impact as business is centered on domestic consumption But risk associated with inflow of overseas funds related to overseas business expansion	Setting up a management system for scenarios based on economic swings
	Competition	Fiercer competition between the 3 major domestic dept. stores	Failure to identify and respond to customer demands may spark customer migration	Service and merchandise upgrade to maintain competitive advantage
	New businesses	Saturation of dept. store and discount store markets Competition to secure new income streams	Risk that competitors will launch new businesses or preempt markets	Drawing up a mid/long-term strategy and pursuing new and overseas businesses via swift decision-making
Consumers	Consumer trends	Sharp change in consumer trends	Failure to respond to trends or provide differentiated merchandise and services may weaken customer loyalty and revenues	Ongoing trend analysis and consulting by outside agencies, training (training for merchandisers and employees, publication of related report, etc.), maintaining a separate group for new merchandisers
	Consumer groups	Business conduct that violates consumers' interests Boycott campaign by consumer groups	Loss of customer trust Damage to corporate image caused by public appeal of civic groups and media coverage	Compliance with laws on protecting consumers' interests and raising employee awareness of related issues via training
	Low birthrate and aging society	Society in which over 7% of the population is aged 65 or above	Reduction in main consumer groups (young and middle age groups) Failure to respond to change in consumer groups may weaken revenues	Drawing up a mid/long-term strategy and preparing for future risk factors via ongoing trend analysis
Workers	Child labor	Child labor exploitation by partner companies	Social ripple effect and damage to corporate image	Comply with laws on labor and human rights and monitoring to ensure compliance
	Worker safety	Violation of workers' rights	Social ripple effect and damage to corporate image	Compliance with laws on labor and human rights and monitoring to ensure compliance
	Worker ethics	Wrongdoing and ethical violations by workers, fair trade violations, etc.	Damage to corporate image and loss of customer trust Possible economic loss	Adoption of code of ethical conduct and reinforcing ethics management system Ongoing prevention training
	Labor dispute	Discord over working conditions Labor-management strife	Economic loss due to disruption in normal operations Decline in corporate credibility	Reinforcing communication to promote win-win labor-management relations Workshops and presentations Joint labor-management training and volunteering activities
Environmental change	Energy/raw material shortage	Energy price hike (eg, oil) and subsequent hike in raw material prices	Rise in sales prices due to higher production costs of partner companies	Drawing up energy conservation plans and targets Companywide initiatives such as energy saving campaigns
	Climate change	Ecosystem destruction, global warming Tighter environmental regulations imposed on the corporate sector	Regulations on CO ₂ emission Change in consumption pattern	Promotion of environmental management system Communication with partner companies and consumers (green partnership, environmental education, etc.)



Sustainability performance - DJSI World

Lotte Shopping's sustainability management activities and performance have been acknowledged in Korea and around the world through various awards and recognitions.



• DJSI

Component of DJSI World

In September 2009, Lotte Shopping became the first Korean distribution company to be included in the Dow Jones Sustainability World Index (DJSI World). DJSI components are jointly announced by the world leading financial information provider Dow Jones and Switzerland-based sustainability investment specialist SAM (Sustainable Asset Management) based on assessment of the world's corporate sustainability leaders. DJSI is a globally recognized sustainability indicator that serves as a benchmark for socially responsible investing (SRI).

DJSI World comprises about 300 companies that represent the top 10% of the leading sustainability companies out of the world's largest 2,500 companies (based on market capitalization). Lotte Shopping was selected as a component of DJSI Asia/Pacific in February 2009. We were subsequently included in DJSI World in September of the same year. Inclusion in DJSI World means simultaneous inclusion in DJSI Asia/Pacific and DJSI Korea.

Totally six Korean companies were selected as components of DJSI World for 2009-2010 and Lotte Shopping is the first and only distribution company among the six. In the general retail sector, there are nine world renowned distribution companies including Lotte Shopping. Moreover, Lotte Shopping was recognized as a SAM Gold Class member, which is a distinction given to companies with a gap of less than 5% with the sector leader.

DJSI World for 2009-2010

(Unit: points)

Category	Lotte Shopping	Sector average	Sector's highest score
Economic	76	53	76
Environmental	75	38	98
Social	71	45	79
Total	74	47	77

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THINK SOCIETY
GREAT WORKPLACE
APPENDIX

Named No.1 Asian retailer by Forbes

Lotte Shopping was the No.1 ranked Asian retailer in the Forbes Global 2000 list unveiled in April 2010. First introduced in 2003, the annual Forbes Global 2000 list includes the world's top 2000 companies based on assets, sales, profits and market capitalization. Lotte Shopping was ranked No.632 overall and No.22 among retail companies in 2010. It was also the first year in which Lotte Shopping grabbed the highest spot among retailers in Asia.

► The Institute for Industrial Policy Studies' corporate brand value assessment

Lotte Department Store's corporate brand value in 2009: KRW1,953.7 billion/No.1 in department store category (increase from KRW1,273.7 billion in 2008)

► Awards and recognitions in 2009~2010

Lotte Shopping is increasing brand value with differentiated customer service coupled with competitive merchandise. Moreover, we carry out a wide range of activities addressing environmental and social issues to enhance corporate image and create value for customers. Along with recognition for high brand value in domestic and overseas surveys, we have been acknowledged for excellence in service, logistics, environmental management and corporate integrity.



• CSR Korea Award

Awards and recognitions in 2009~2010

	Award/recognition	Given by	Date	Note
Lotte Shopping	Inclusion in DJSI World	Dow Jones/SAM	Sep. 2009	
Lotte Department Store	National Brand Competitiveness Index (NBCI), No.1 in dept. store category	Korea Productivity Center/Joongang Ilbo	Sep. 2009	7 consecutive years
	Family-friendly company certification	Ministry of Health & Welfare	Nov. 2009	
	National Customer Satisfaction Index (NCSI), No.1 in dept. store category	Korea Productivity Center/Chosun Ilbo	Dec. 2009	7 consecutive years
	Korea-Brand Power Index (K-BPI), No.1 in dept. store category	Korea Management Association (KMA)	Mar. 2010	12 consecutive years
	Brand Star Award, No.1 in dept. store category	Brandstock Corp./Korea Economic Daily	Apr. 2010	11 consecutive years
	CSR Korea Award in ecosystem preservation category	Korea Journalists Forum	May 2010	
Lotte Mart	Highest Brand of the Year	Brandstock Corp./Joongang Ilbo	Oct. 2009	
	Tin Tower Order of Industrial Service Merit, Korea Logistics Awards	Ministry of Land, Transport and Maritime Affairs/Korea Logistics Association	Nov. 2009	
	Korean SCM Awards	Korean Society for Supply Chain Management	Nov. 2009	
	Green Management Award in distribution category	Ministry of Knowledge Economy/ Ministry of Land, Transport and Maritime Affairs	Nov. 2009	
	Fair Management Awards	Korea Economic Daily	Dec. 2009	
	Korea Distribution Awards, overall Grand Prize and Distribution Innovation Prize	Ministry of Knowledge Economy/ Korea Chamber of Commerce and Industry	Dec. 2009	



Think Economy



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● THINK ECONOMY

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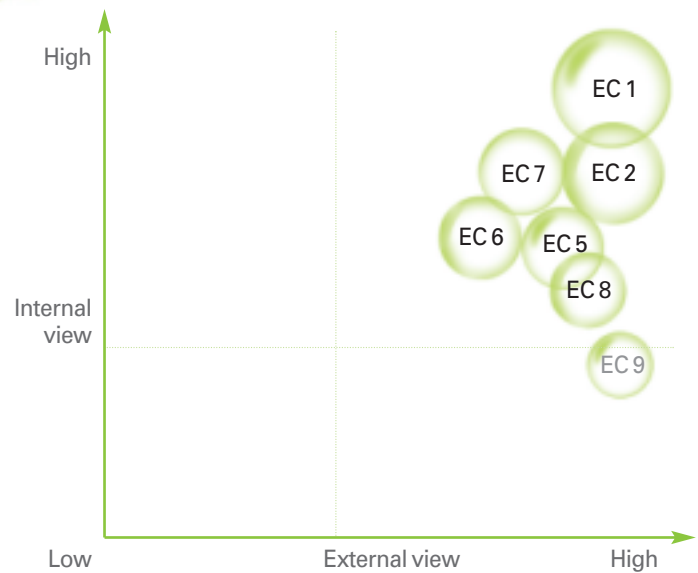
APPENDIX



Disclosure of Management Approach

2018 VISION

Lotte Shopping will pursue a sustainable growth strategy to achieve its 2018 vision of becoming one of the world's top 10 distribution companies. Based on this strategy, we will maximize economic value and create value for shareholders and other stakeholders.



Performance

Performance indicators		Category	2007	2008	2009
EC 1	Operating results, financial statements, social contribution spending	Sales	KRW9,724.8 billion	KRW10,509.3 billion	KRW11,535.3 billion
		Operating profit	KRW755.2 billion	KRW768.1 billion	KRW876.5 billion
		Donations	KRW13.5 billion	KRW5.1 billion	KRW10.9 billion
		No. of domestic stores			
		Lotte Dept. Store	24	25	26
		Lotte Mart	56	63	70
		No. of overseas stores			
EC 7	Employees	Lotte Dept. Store	1	2	2
		Lotte Mart	8	28	99
		Lotte Dept. Store	-	92.2%	99.6%
		Lotte Mart	-	99.0%	99.5%



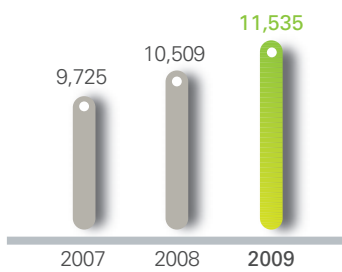
Economic performance

Lotte Shopping pursues a sustainable growth strategy to maximize economic value and generate returns for shareholders and customers.

Financial statements

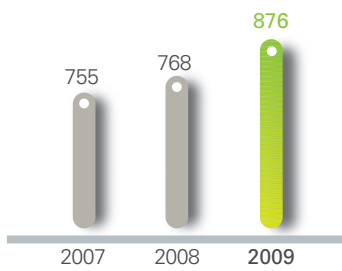
| Sales |

(Unit: KRW billion)



| Operating profit |

(Unit: KRW billion)



Balance sheet

(Unit: KRW million)

Category		Category	
Assets	18,658,356	Liabilities	6,326,801
I. Current assets	2,032,998	I. Current liabilities	3,287,833
Quick assets	931,689	II. Non-current liabilities	3,038,968
Inventory	1,101,309		
		Stockholders' equity	12,331,556
II. Non-current assets	16,625,359	I. Capital stock	145,217
Investment assets	4,342,193	II. Capital surplus	4,650,895
Tangible assets	11,129,377	III. Retained earnings	4,684,996
Intangible assets	134,503	IV. Capital adjustment	-16,271
Other non-current assets	1,019,286	V. Accumulated other comprehensive income	2,866,718
Total assets	18,658,356	Total liabilities and stockholders' equity	18,658,356

Income statement

(Unit: KRW million)

Category	2007	2008	2009
Sales	9,724,837	10,509,251	11,535,281
Gross profit	2,919,880	3,218,687	3,575,470
Operating profit	755,157	768,107	876,475
Net income before taxes	955,537	925,046	939,770
Net income	692,134	742,825	716,422

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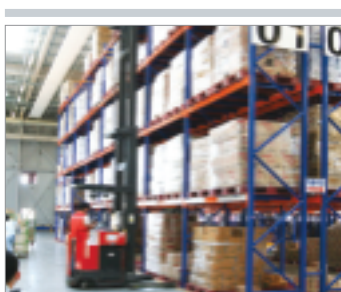
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GREAT WORKPLACE

APPENDIX



Key financial indicators



• Osan Logistics Center

Key financial indicators

Category		2007	2008	2009
Stability indicators	Current ratio	65.40%	61.65%	61.83%
	Debt ratio	46.10%	50.65%	51.31%
	Borrowings and bonds payable ratio	4.61%	8.47%	10.38%
Activity & growth indicators	Sales growth	7.85%	7.59%	9.76%
	Operating profit growth	0.95%	1.51%	14.11%
	Net income growth	-6.79%	7.32%	-3.55%
	Total asset growth	0.75%	11.40%	40.25%
Profitability indicators	Operating profit to sales ratio	7.77%	7.31%	7.60%
	Net income to sales ratio	7.12%	7.07%	6.21%
	Return on assets	5.82%	5.88%	4.48%
	Return on equity	8.83%	8.74%	6.77%

Economic value generation & distribution (EVG&D)

Economic value generation & distribution (EVG&D)

(Unit: KRW million)

GRI indicator	Note	2007	2008	2009
Direct economic value generated		9,724,837	10,509,251	11,535,281
a) Income	Net sales, income from financial investments and asset disposal	9,724,837	10,509,251	11,535,281
Economic value distributed		7,734,133	8,207,067	8,988,718
b) Operating expenses	Purchasing expense, non-strategic investments, royalty and operating expenses	6,804,956	7,290,563	7,959,812
c) Wages & benefits	Total amount paid to employees	520,461	590,543	636,882
d) Cost of capital	All expenses paid to providers of capital	36,524	28,839	67,105
e) Taxes	Total taxes paid	358,665	291,964	313,962
f) Investments in local communities	Voluntary contributions and investments (donations, etc.)	13,526	5,158	10,957
Retained economic value	Economic value generated – Economic value distributed	1,990,704	2,302,183	2,546,563

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



Global growth strategy

Lotte Shopping is vigorously expanding into overseas markets under the goal of growing into a global distribution company by 2018. Our globalization strategy, built on our firm presence in Korea and distribution knowhow accumulated over 30 years, should drive continued growth of Lotte Shopping in the years to come.

Global store opening strategy - VRICs

We have decided on VRICs (Vietnam, Russia, Indonesia and China) as our target overseas markets. We are implementing localization strategies by launching new stores and pursuing M&A in these four countries. Presently, Lotte Department Store operates one store each in Russia and China. Various plans are being reviewed for new store openings in overseas markets such as new site development, lease agreements, and indirect store operation under management contracts. Meanwhile, Lotte Mart has been pursuing M&A and localization strategies with the goal of operating 229 overseas stores by 2014. Lotte Mart is ranked first in terms of the number of domestic and overseas stores.



• Intime Lotte Department Store,
Beijing

| 4 strategic markets - VRICs |

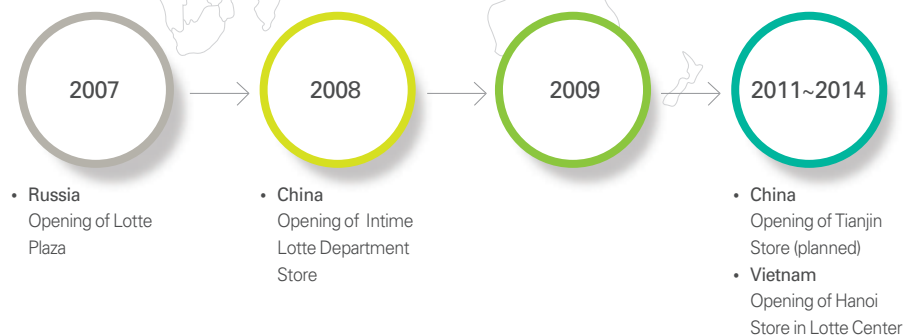


| Milestones in overseas business |

Lotte
Department
Store



Lotte Mart





Russia

| Stores in Russia |



	No. of stores
Department store	1

Lotte Shopping opened the first made-in-Korea department store in Moscow in September 2007. Lotte Plaza is located on Novy Arbat Street at the heart of the Russian capital (about 2.1 km from the Kremlin). With total area spanning one floor below ground and seven floors above, Lotte Plaza offers foods, fashion items, home appliances and household supplies, along with restaurants. The store is gaining widespread appeal from Moscow residents thanks to localization efforts and aggressive marketing. The opening of Lotte Hotel Moscow in 2010 should give a further boost to Lotte Plaza.

Drawing on knowhow gained from operating Lotte Plaza, Lotte Department Store plans to open additional stores in Moscow and other major Russian cities including St. Petersburg.

China

| Stores in China |



	No. of stores
Department store	1
Discount store	79

Lotte Department Store launched its second overseas store, which is also the first in China, in August 2008. Intime Lotte Department Store is the first Korean department store to open in Beijing's flourishing Wangfujing commercial district. The store is jointly operated with Intime Department Store, which boasts vast experience in department store operation in China. Occupying four floors below ground and eight floors above, it has a balanced offering of world famous luxury brands and prominent brands from China and Korea. Lotte Department Store intends to establish an extensive store network in China with further store openings planned in Shanghai, Tianjin and Qingdao.

Lotte Mart expanded into Beijing and Tianjin through the acquisition of Makro (eight discount stores) in 2008. The number of stores reached 79 following the acquisition of Times in 2009. Lotte Mart has won much recognition for achieving success in China in a relatively short period of time. It generally took more than 10 years for competitors to accomplish the feat.



Vietnam

In October 2008, Lotte Mart opened Nam Saigon Store, its first store in Vietnam and outside of Korea. Nam Saigon Store also represents the first expansion into Vietnam by a Korean distribution company. More than a shopping facility, Nam Saigon Store is catering to the cultural needs of local residents by offering a cultural center, Lotte Cinema, bowling alley and indoor playground within its premises. Lotte Mart Phu Tho, the second store in Vietnam, opened on July 1, 2010, setting the stage for continued growth in the country.

Lotte Department Store is scheduled to open its first store in Vietnam in 2013. The store will be situated in Lotte Center Hanoi, a 65-storey building with a gross floor area of 250,572m². In addition to the department store, Lotte Center Hanoi will house a hotel, offices, apartment units and an observatory. Lotte Shopping will continue with efforts to advance the shopping culture in Vietnam.

| Stores in Vietnam |



	No. of stores
Discount store	2

| Stores in Indonesia |



	No. of stores
Discount store	19

Indonesia

Lotte Mart entered the Indonesian market in 2008 with the acquisition of the discount store chain, Makro. It currently operates 19 discount stores in the country: 12 in Java (including the Indonesian capital of Jakarta), three in Sumatra, two in Kalimantan, one in Sulawesi, and one in Bali. Lotte Mart will explore new opportunities by opening new stores in Jakarta and other major regions in 2010 and maintain efforts to grow into a leader in the Indonesian retail market, which shows strong growth potential.

Nurturing managerial staff with a global mindset

Expansion into new business formats such as shopping malls and global fashion (GF) coupled with overseas store openings in countries like Russia, China and Vietnam have raised the need to nurture managerial staff equipped with a global mindset. Accordingly, the TOEIC speaking test is one of the factors taken into consideration when promoting new managers. In addition, global business and language training is conducted for a selected pool of prospective employees for overseas assignments.



Local hiring

Lotte Shopping is increasing the number of local hires in overseas stores as part of its localization strategy and to cultivate its presence as a global retailer. Local employees are hired through local recruiting agencies after posting job opening ads and strict selection procedures. In addition, we are hiring more people through open recruitment of local university students and hiring more foreign students studying in Korea to secure outstanding local talent over the long run.

| Organizational chart for overseas department store business |



| Organizational chart for overseas discount store business |



Employees of overseas stores

(Unit: No. of persons)

Category		Job duties of local hires	Local entity	Employees deployed from Korea	Locally hired employees
China	Dept. store	Store manager, marketing, sales management, finance, administrative support, HR, IT, etc.	Subsidiary, representative office	17	442
	Discount store			20	16,238
Russia	Dept. store	Store manager, deputy store manager, marketing, sales management, finance, administrative support, HR, IT, etc.	Subsidiary, representative office	6	103
Vietnam	Dept. store	Market and site survey, clerical work, etc.	Representative office	8	1
	Discount store			9	500
Indonesia	Dept. store	Market and site survey, clerical work, etc.	Representative office	1	-
	Discount store			6	1,484
Total				67	18,768



Responding to changes in the distribution environment

Lotte Shopping has established diverse distribution channels through continued and strategic business expansion, thereby spearheading balanced development of commercial districts across Korea and promoting new concepts in shopping culture. We have built up Lotte Shopping into a prominent force in the distribution market by opening new department stores and multi-purpose shopping malls in strategic locations and by pursuing M&A. We are also leading the domestic distribution industry by developing new retail formats to respond to the shifting operating environment such as the Life Style Center (LSC) and Digital Park (for home appliances) within discount stores.

Department store & multi-purpose shopping mall

After the launch of Konkuk University Star City Store (25th store) in October 2008, the multi-purpose shopping center, Gwangbok Store, was launched in December 2009 which contributed to reviving the central and western commercial districts of Busan. That was followed by the acquisition of three GS stores (in Guri, Ansan and Jungdong) in February 2010, which further strengthened Lotte's position in the Seoul metropolitan area.

Address	Jungang-dong, Jung-gu, Busan
Site area	40,522m ²
Gross floor area	111,379m ²
Retail floor area	40,496m ²
Parking capacity	1,500 vehicles



► Gwangbok Store

Opened on December 17, 2009, Gwangbok Store (main wing) has enjoyed much success, recording sales of KRW100 billion in just the first 100 days of operation. As the first seaside department store in Korea, it offers both city and ocean views. The rooftop garden and observatory have become a major tourist attraction, hosting 4.6 million visitors over the first 100 days. The new wing is scheduled to open in

August 2010. Subsequent completion of the discount store and skyscraper wing should turn Gwangbok Store into a multi-purpose shopping center and landmark of Busan.

Outlet

The outlet market is gaining pace amid the maturing department store market and consumer segmentation. Keeping pace with this trend, Lotte Shopping opened its first outlet, Gwangju World Cup Store, in October 2008. Gwangju World Cup Store is an urban outlet offering high quality brands at reasonable prices. Lotte Shopping is growing its outlet business, opening the suburban outlet, Premium Outlet Gimhae Store, in December 2008, and the second urban outlet, Gwangju Suwan Store, in September 2009.

Address	Jangdeok-dong, Gwangsan-gu, Gwangju
Site area	18,621m ²
Gross floor area	74,899m ²
Retail floor area	6,149m ² (discount store: 12,926m ²)
No. of floors	1~3F
Parking capacity	1,100 vehicles



► Gwangju Suwan Store

The second urban outlet, Gwangju Suwan Store, opened its doors in September 2009. Situated in Suwan district in the heart of the western commercial zone of Gwangju, the store is committed to offering customers the "best brands, best products" at reasonable prices. In addition to a fashion outlet, there is a discount store, children's theater, cultural center,

and lakeside park, making Gwangju Suwan Store a multi-purpose shopping town where customers can enjoy shopping and cultural activities.



• Digital Park

New formats - Life Style Center (LSC)

A new retail format known as Life Style Center (LSC) has appeared in the US and Japan. In contrast to the enclosed space of malls, Life Style Center allows people to enjoy leisurely strolls and the nostalgia of old shopping streets. Situated in upscale residential areas and the suburbs of large cities, Life Style Centers are developed taking into consideration the nearby surroundings. To prepare for the distribution landscape of the future, Lotte Shopping is following up on premium outlets by exploring Life Style Centers. Presently, a massive Life Style Center encompassing a large residential complex, arts and cultural center, and theme park is being constructed in Bongmu-dong, Daegu. Blending the modern and the traditional, the Bongmu Life Style Center will offer a space for everyday living, shopping and enjoyment.

Digital Park

The first Digital Park was set up in the Guro branch of Lotte Mart in November 2009. Unlike conventional home appliance retailers such as discount stores, Digital Park allows consumers to get a hands-on feel for products and satisfies their increasing demands. People can touch and operate the latest digital gadgets like earphones and notebook PCs before they decide to make a purchase. The second Digital Park which opened in March 2010 at the Seoul Station branch offers a broader selection that also includes bicycles and office supplies. Digital Park is set to be launched in an additional five stores including the Cheongnyangni Store in 2010 to offer more customers the distinctive Lotte Mart experience.

Digital Park

Category	Seoul Station Store	Guro Store
Opening date	Nov. 5, 2009	Mar. 24, 2010
Area	1,521 m ²	2,413 m ²
Product lineup (as of March 2010)	Approx. 3,500 items	Approx. 3,100 items
Sales	KRW1.6 billion (average of Nov. 2009~Mar. 2010)	KRW1.3 billion (Mar. 24~Apr. 22, 2010)

Category killer

Lotte Mart introduced Toys "R" Us, the world's leading toy store chain, to Korea. The country's first Toys "R" Us was opened in Guro Store in December 2007, followed by stores in Guri, Samsan and World Cup in 2008. Another Toys "R" Us outlet was launched in 2009 in Gwangju Suwan Store. Toys "R" Us Toy Box, a smaller version of Toys "R" Us, first opened in November 2008. At present, there are Toy Box sections operating in 18 stores. Plans have been drawn up for continued expansion including the opening of Toys "R" Us in Daegu, Cheongnyangni, Busan and Suwon in 2010.





Management innovation activities

Lotte Shopping carries out various innovation activities to enhance its earning structure and increase management efficiency to boost competitiveness of the distribution sector and prepare for an era of slow growth. With a view to building the foundation for knowledge management, we have introduced the IDEA system and Lotte Jisik-in system to gather diverse ideas within the company and promote mutual sharing of knowledge. We also operate a communication clinic to listen to the views of employees and promote communication. Moreover, efforts are being made to innovate our IT systems to keep pace with the evolving business environment.

Communication management

► Communication clinic

Lotte Department Store introduced the communication clinic in May 2009 to facilitate effective communication among stores, and between stores and the headquarters. Communication trainers visit stores across Korea where they convey the company's major policy and issues and gather employees' opinions. Totally 4,764 employees participated and shared their views during the communication clinics that were held once a quarter in 2009.

► Communication lounge

Communication lounge allows the company to listen to the views of store personnel who have direct contact with customers and make necessary improvements. Fifty frontline employees took part in the five communication lounge sessions held since May 2009. Through communication lounge, totally 38 issues have been reviewed and corresponding measures taken, which resulted in bolstering customer satisfaction levels.

In addition to venues where employees can openly express their opinions, Lotte Department Store plans to implement a system that supports real time communication between the company's employees and store personnel from partner firms via instant messaging to PDA POS in the second half of 2010. The system should reduce unnecessary work procedures and raise efficiency.

Speed management

The speed-up campaign was launched in 2007 to realize speed management by promoting swift decision making and cooperation between departments. Compared to 2007, electronic document approval times were down by 79.8% in December 2009. More importantly, the campaign has enhanced inter-departmental cooperation and speed management. At present, connection to groupware enables real time checks on speed management indicators of pertinent departments, which in turn is encouraging greater participation by employees.

One Pager campaign reduced annual printout volume in 2009 by 5.45 million sheets compared to 2008, when the initiative was launched with the purpose of slashing unnecessary paperwork and boosting work efficiency. This campaign has simplified briefings and meetings and spurred the use of e-mails and instant messaging.

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THINK ENVIRONMENT

THINK SOCIETY

GREAT WORKPLACE

APPENDIX



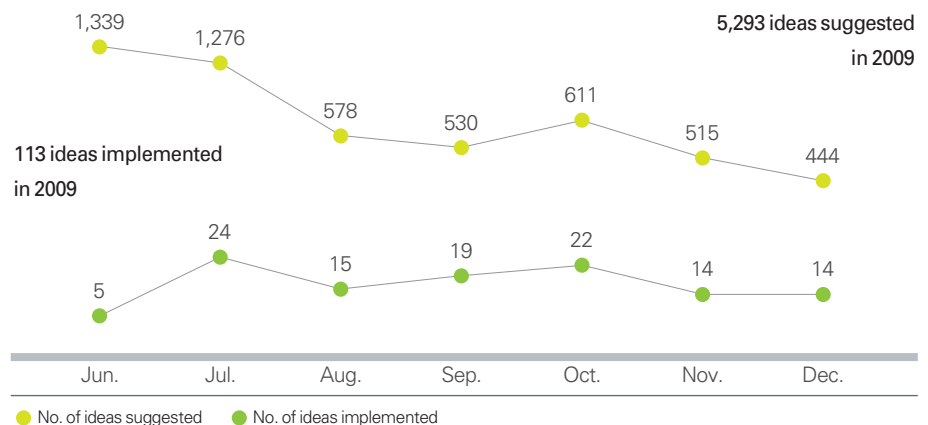
Knowledge management

Lotte Shopping has set up a knowledge management system to gather creative ideas from employees and promote horizontal communication.

► Idea Popcorn

Introduced in June 2009, Idea Popcorn allows all employees to freely present their ideas. Proposed ideas are reviewed by the pertinent departments and viable ideas are implemented. During the seven-month period from the initiative's launch through December 2009, a total of 5,293 ideas were registered and 113 of them have been implemented. To increase employee participation, awards will be given to departments and individual for outstanding ideas and a compilation of implemented ideas will be published.

| Idea Popcorn |



► Lotte Jisik-in

Lotte Jisik-in system was unveiled in March 2010 to create a knowledge database and support information-sharing within the company. Anyone can submit questions through the system and an internal expert will provide prompt and accurate answers. About 2,500 questions and answers on departmental work procedures and major company issues were registered in just the first month of operation. Along with active worker engagement, Lotte Jisik-in system is giving a boost to work efficiency.

Shelf stock-ordering upgrade (POG–New CAO)

*POG : Plan-O-Gram, CAO : Computer Assisted Ordering

Lotte Mart was the first in Korea to introduce an integrated shelf stock-ordering solution (POG-New CAO). The solution is designed to enable optimal merchandise flow across the value chain, from goods suppliers to customers, in order to minimize sales opportunity loss and maximize customer satisfaction. Through the solution, Lotte Mart has made innovative advances across all aspects of operations including reduction of excess inventory and revenue growth.

► POG

POG is a diagram designating the placement of merchandise on a store's shelves and displays. It allows for optimal merchandise selection and maximum shelf space efficiency based on analysis of merchandise mix, regional characteristics and sales. POGs reflecting the needs of individual stores, including the quantity of goods displayed, are currently used in all 70 Lotte Mart stores in Korea.

► Computer assisted ordering system (New CAO)

Moving away from the manual ordering system that is based on the subjective judgment of store sales staff, Lotte Mart developed the New CAO (computer assisted ordering) system in 2008. Lotte Mart was the first Korean retailer to successfully develop a proprietary system that automatically links ordering to sales volume and shelf stock, and became the sole domestic retailer to adopt a third generation ordering method (POG-New CAO system).

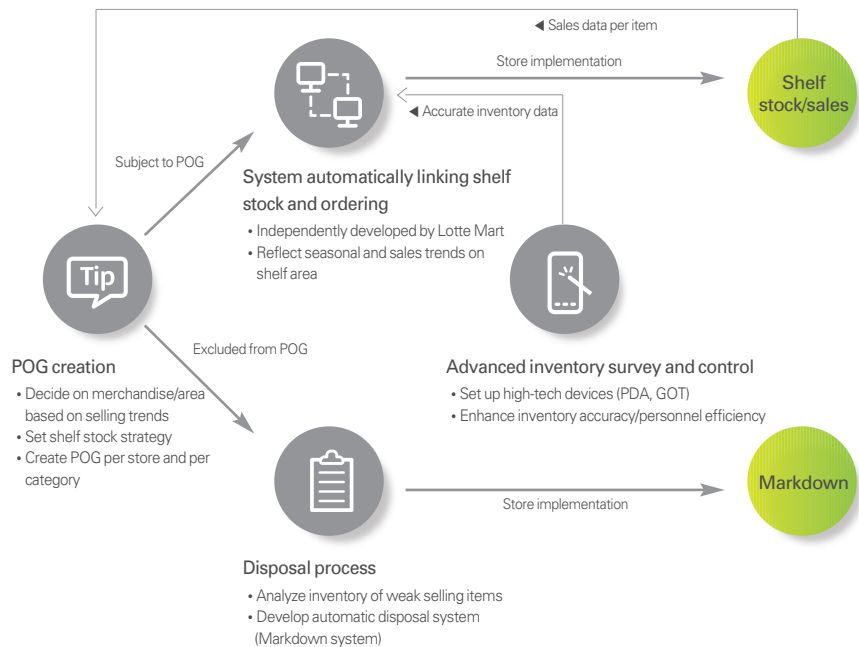
► Effect of POG–New CAO system

The independently developed, integrated shelf stock-ordering-inventory control solution (POG-New CAO system) has led to a gradual decrease in inventory and continued improvement in inventory days.

| POG–New CAO system |

Headquarters (SCM Team)

Stores



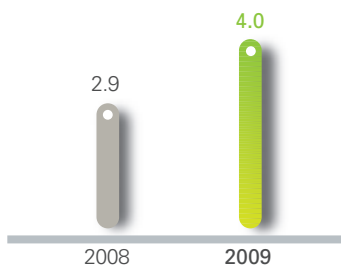


Features of Lean Transformation

- **Lean Transformation** ●
- ① Pursuit of end-to-end optimization across all processes
- ② Process analysis and improvement using scientific methods → Continued performance and change management
- ③ Ongoing competency enhancement activities based on new skills development and changing awareness
- ④ Integrated top-down and bottom-up perspective throughout the organization

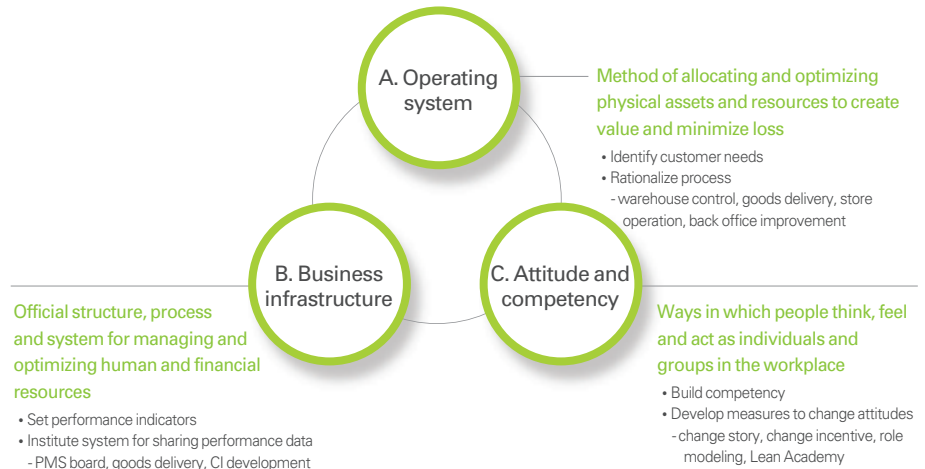
Operating profit margin improvement due to Lean Transformation

(Unit: %)



Lean Transformation

Lotte Mart has been carrying out differentiated innovation activities since becoming the first domestic retailer to apply the Massachusetts Institute of Technology's Lean Program in 2007. The Lean Program is based on the Toyota Production System (TPS). The innovation efforts are helping to remove inefficiencies and enhance work processes.



► Performance

Lotte Mart is nurturing specialized change agents for program development. In addition, 193 local agents are being trained (as of the end of 2010) so that each store can implement and advance Lean Transformation. As of the end of 2009, innovation activities resulted in cost savings of about KRW15.4 billion and profit generation of KRW4.4 billion.

Lean Transformation will move beyond store-oriented innovation and improvement efforts and be applied by each division of the headquarters in areas like merchandise sourcing and marketing, SCM, and administrative support. They will also be applied in overseas stores and newly acquired stores to enhance work efficiency.

| Financial effect |

(Unit: KRW million, %)			
Category	2008	2009	Aggregate
Labor expense	2,204	9,800	12,004
SG&A expense	35	871	906
Inventory charges	377	2,075	2,452
Merchandise income	709	2,428	3,137
New income		555	555
Logistics efficiency	146	586	732
Total improvement effect	3,471	16,315	19,786



Think Customer



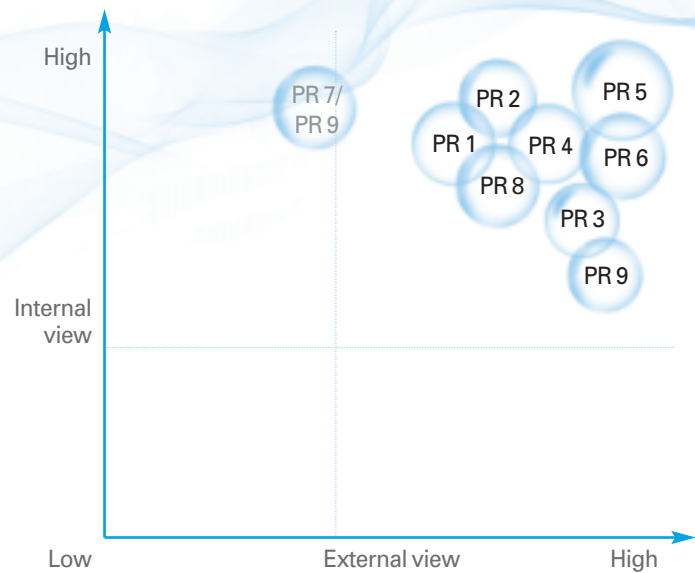


Disclosure of Management Approach

Commitment to the customer

Lotte Shopping strives to enrich the lives of customers with innovative services and unrivalled levels of satisfaction.

We provide superior value by thinking from the viewpoint of customers to fulfill their needs.



Performance

Performance indicators		Category	2007	2008	2009
PR 5	Satisfaction level*	NCSI(National Customer Satisfaction Index)	No. 1 (73 points)	No. 1 (73 points)	No. 1 (72 points)
		Customer satisfaction survey(internal survey)	83.8 points	85.5 points	82.8 points (Adjusted scoring standard in 08 2H)
PR 6	Data protection activities	No. of security incidents per year	0	0	0
	Customer safety	Facility safety management score	-	95.7 points	97.3 points

*Satisfaction level : Based on Lotte Dept. Store



Customer-oriented management

Understanding customer desires by communicating with customers and providing satisfactory levels of service and merchandise are essential to sustainability management at Lotte Shopping. All employees are committed to thinking from the customer's perspective and providing customers with the service they expect. Furthermore, we are overhauling our systems and regulations to offer world-class services in accordance with our vision of emerging as a global distribution company.

Lotte Mart Customer Satisfaction Charter

01

We will always provide customers with quality products at affordable prices.

02

We will handle customer complaints in a prompt manner.

03

We will do our best to provide service that makes customers smile.

Customer Service Charter

Lotte Shopping is dedicated to becoming a leading services company of the 21st century by declaring our commitment to quality service to internal and external stakeholders. To this end, Lotte Department Store and Lotte Mart established the Customer Service Charter and Customer Satisfaction Charter respectively to serve as guidelines for employees.

Customer Service Charter

Based on our firm belief that the customer always comes first, we vow to abide by the following to provide customers with quality service.

We will always greet customers with a bright smile and an honest attitude.

We will always listen to customer opinions with an open mind and modesty.

We will always keep promises made to customers.

We will strive to provide a superior shopping environment based on our green value management.

We will uphold our customer-oriented way of thinking and practices to become a department store that is always trusted by customers. We will practice the above and realize service based on love, freedom and generosity to become a global distribution company of the 21st century that creates future value.



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No.1 department store in customer satisfaction survey for seven consecutive years (NCSI)

Lotte Department Store ranked no.1 for seven consecutive years in the National Customer Satisfaction Index (NCSI) survey in the department store category. The survey was jointly conducted by the Korea Productivity Center, Chosun Ilbo and University of Michigan.

Service-related awards and certifications in 2009~2010

Date	Award	Note
Mar. 2009	Korea-Brand Power Index (K-BPI) – no.1 department store (11th consecutive year)	Korea Management Association (KMA)
Apr. 2009	Brand Star Award – no.1 department store (10th consecutive year)	Brandstock Corp., Korea Economic Daily
Sep. 2009	National Brand Competitiveness Index (NBCI) – no.1 department store (7th consecutive year)	Korea Productivity Center, JoongAng Ilbo
Dec. 2009	National Customer Satisfaction Index (NCSI) – no.1 department store (7th consecutive year)	Korea Productivity Center, Chosun Ilbo
Mar. 2010	Korea-Brand Power Index (K-BPI) – no.1 department store (12th consecutive year)	Korea Management Association (KMA)
Apr. 2010	Brand Star Award – no.1 department store (11th consecutive year)	Brandstock Corp., Korea Economic Daily

Enhanced customer satisfaction

Lotte Department Store regularly checks customer satisfaction levels and conducts customer satisfaction surveys on a half-yearly basis to explore strategic measures to enhance customer satisfaction.

2009 1H Customer Satisfaction Index (CSI) survey

Survey period: March 2009

2009 2H survey: Substitution by CSI at stores with increased competition*

Survey researcher: Research International

Survey target: Customers of Lotte Department Store on day of survey who make a purchase at least once a month

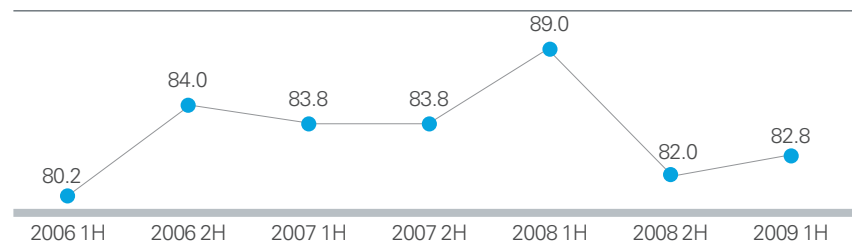
Survey method: Personal interviews at MVG Lounge, parking lot exit and registration desk at Cultural Center

Sample size: 3,710 (allotted to nationwide Lotte Department Stores based on store size)

Survey content: Store environment, product, service attitude, amenities, promotional events, provision of information, satisfaction levels with overall image, etc.

Application of results: Analysis of results by store, survey category and customer group to identify areas for improvement and implement improvement measures

| Customer satisfaction trend |



*Since the 2008 2H survey, point standards were adjusted and therefore results cannot be compared to previous survey results using the absolute score

Consumer Complaints Management System (CCMS) certification

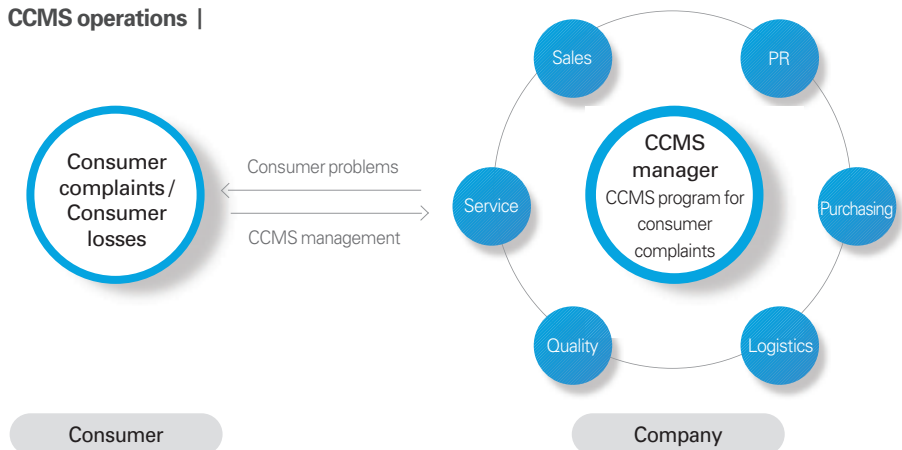
The Korea Fair Trade Commission recommends that corporations introduce and operate the CCMS program to prevent customer complaints and offer prompt relief for any complaints that do arise. Lotte Department Store adopted CCMS in June 2008 and built a companywide preventative internal control system and 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.

During the CCMS evaluation, Lotte Department Store received high marks for the CEO's commitment to and high interest levels of all employees in customer-oriented service, in addition to the operation of its efficient VOC system. Lotte Department Store is enhancing its customer service through the operation of CCMS, a systematic program that helps to prevent and handle customer complaints.

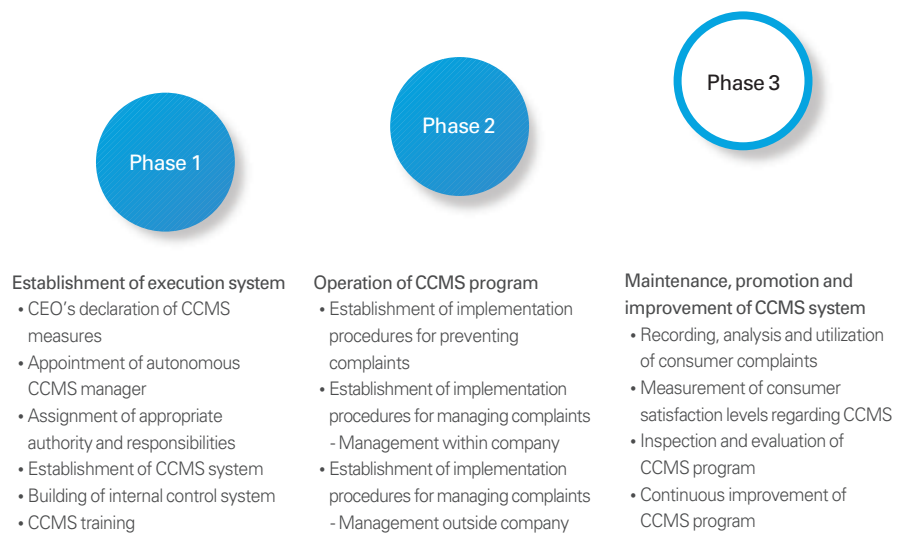


- CCMS
- CCMS implementation guidelines

| CCMS operations |



| CCMS program by phases |





Communicating with customers

Lotte Shopping is keeping its ears open to various customer opinions and comments. The Want Slip, MD suggestion system, homemaker monitoring system and shopping improvement activities are just some of the programs used by Lotte Shopping to communicate with customers.

Customer suggestion system

► Want Slip

Lotte Department Store introduced the Want Slip campaign to collect opinions or complaints from points of customer contact. Under the catchphrase, "We value every opinion of our customers," employees strive to pay heed to customer opinions from the point of sale while we are creating a system to collect those opinions and bring about real improvements.

► MD suggestion system

Lotte Department Store operates an open online channel to receive MD suggestions. Members of the department store's homepage can register and submit their ideas on a store, brand, new product, as well as other suggestions and examples from overseas. The best ideas are selected on a regular basis and awarded prizes. The relevant teams then examine ways to apply the ideas into their operations.

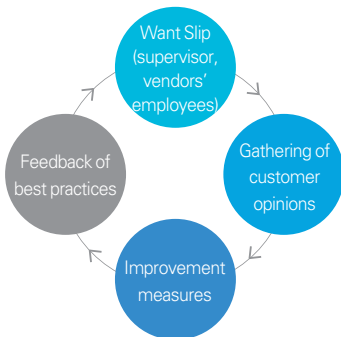
► Homemaker monitoring system

Lotte Mart has been recruiting homemakers for evaluation purposes since 2009. A total of 314 homemakers were officially named as the first group of consumer monitors at 65 stores. Their task is to conduct evaluations of merchandise, service, shopping environment and other major items twice a month. They draw attention to consumer inconveniences and also check whether the necessary steps were taken to address problems. Furthermore, an online community page is emerging as a major site to access customer views as it records an average of 1,000 postings every month.

► Improved shopping activities

Lotte Mart operates a program in which employees directly shop in stores to experience shopping from a customer's perspective, discover any discomforts, and identify any areas for improvements. After making the necessary improvements, best practices are shared among stores.

| Want Slip system |



- Homemaker monitoring system
- Collection of best practices from improved shopping activities

Participation in improved shopping activities and resulting improvements

Category	No. of suggestions		Applied improvements	
	Total no. of suggestions	Monthly average	Total no. of improvements	Rate of adoption
2008	6,975	581	1,394	20%
2009	10,464	872	2,303	22%

VOC appeals center *VOC: Voice of Customer

Lotte Shopping is always listening to customers. Customers can submit their opinions at any time using a variety of channels. Customer service centers at all stores are ready to receive customer praises, complaints and suggestions and handle related processes in a prompt and accurate manner. The VOC system on our homepage offers 24-hour access for customers to post inquiries or opinions. The comments are then relayed to the person in charge at the relevant team to enable a response within 24 hours. Additionally, Lotte Shopping goes beyond simply resolving issues by analyzing the root cause of customer complaints and using the results to further enhance customer service.

Online VOC appeals

(Unit: No. of cases)

Type of appeal	Department store		Discount store	
	2008	2009	2008	2009
Inquiry	14,082	14,117	5,111	6,904
Satisfaction	1,348	1,346	666	861
Unkept promise	642	251	296	232
Poor response	5,493	6,151	2,229	1,917
Defective good	1,234	1,575	1,117	1,087
Poor hygiene	135	69	76	100
Exchange, refund/other	539	599	585	948
Total	23,473	24,108	10,080	12,049



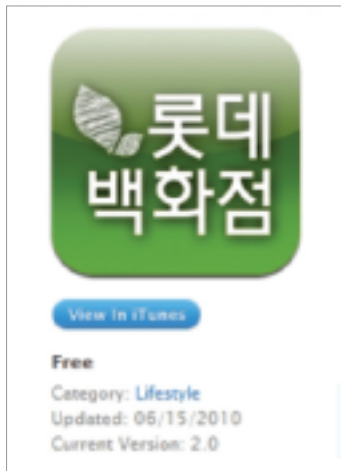
Customer relationship management

Customer relationship management allows us to provide differentiated value to customers and enhance their loyalty to Lotte Shopping. Furthermore, by collecting and analyzing customer data, we are able to discern what customers want, their lifestyles, and furthermore, predict changes in customer needs in order to provide new merchandise and services in a timely manner.

Customer segmentation through CRM system

Customer Relationship Management (CRM) refers to a strategy to gain customer loyalty. The term describes activities to provide differentiated value according to customer traits. In January 1999, Lotte Department Store adopted the CRM system for the first time in the industry and has been conducting targeted marketing activities using scientific analysis of diverse data such as customer purchase activities, loyalty, lifestyle and potential buying power. Furthermore, Lotte Department Store developed its own AMS (APT Map Solution) which grafts geographical data with CRM data to improve commercial district management. With AMS, consideration is also given to factors such as travel time to stores and accessibility, in addition to distance.

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- Online magazine, FLARE
- iPhone app

During the 8th Teradata Universe Conference in 2007, we became the first Korean enterprise to successfully implement CRM marketing. After first introducing a members program in November 2005, the program has grown to include 30 companies and more than 19 million registered members.

By CRM definition, customers can be divided by demographic factors such as age, occupation and home address as well as various characteristics such as purchasing power, loyalty, life stage and purchasing potential during promotion periods. Lotte Department Store's marketing and sales support activities that use CRM go beyond relaying information to target customers through DM and SMS. They also include cultural marketing that incites customer participation, event-driven marketing that takes note of anniversaries and birthdays of customers, and one-to-one marketing as well as MVG/VIP differentiation service activities and MD strategy assessments using analysis of purchasing patterns of different commercial districts.

Reinforcing online channels

The Internet and mobile devices are used to increase customers' accessibility to Lotte Shopping in addition to offering customers a more convenient and beneficial shopping environment.

► Lotte Department Store

Lotte Department Store provides a diverse range of online services that follows the growth of the online market. Visitors to our homepage (www.lotteshopping.com) can view information on stores and merchandise, e-flyers, and sign up for promotional events. This allows customers who are very familiar with the online environment to access Lotte Department Store more often and in a convenient way.

In 2009, we launched a new service called 'FLARE' which allows customers to browse through an online magazine featuring the latest fashion trends and directly purchase the item of their choice. Furthermore, we created a 'With You Mileage' accumulation system in which customers can amass mileage points for merely logging in, confirming e-flyers and emails, and participating in events. Thanks to these efforts, more than 200,000 customers are participating in the mileage program every month. The figure translates to a purchasing effect of approximately KRW7 billion through store visits by more than 40,000 customers. Recently, we introduced the eco-flyer application for smartphones and installed WiFi at all stores for greater customer convenience. A broader range of applications with diverse functions related to shopping are being developed for release during the second half of the year.

► Lotte Mart

Lotte Mart is also bolstering its online shopping mall (www.lottemart.com) as online purchases increase. Same-day deliveries are offered at 56 stores and plans are to increase that number to 70 stores nationwide by the end of 2010. Customer services have also improved, with deliveries being made three times per weekday and on the weekends. Online customers can also benefit from enhanced functions such as online product search, ordering and payment services. Additionally, the site has introduced specialized malls for children, sports and babies to satisfy customer lifestyle needs. To achieve its objective of becoming a 'Fast and Convenient Lotte Mart Online Shopping Mall,' Lotte Mart plans to boost development of specialized goods and focus on items that are close to the customer and reflect current trends. As a measure to maximize synergy with offline sales, Lotte Mart plans to expand the list of delivery products from exemplary suppliers and provide highly reliable production information by tapping into the Lotte Group's All Safe (product safety) system. Additional measures to enhance brand recognition include utilizing online ads such as overture keyword ads, banner ads and Naver e-shopping catalogue.



Customer data protection

Lotte Shopping regards the personal information of all customers, including Lotte members, as an invaluable asset and is dedicated to effectively safeguarding such assets. In light of the increasing number of customer data leaks, Lotte Shopping is sparing no effort to prevent data leaks and privacy violations.

Guidelines on managing customer information

Lotte Shopping has drawn up the Guidelines on Managing Customer Information in order to comply with the Act on Promotion of Information and Communication Network Utilization and Information Protection, etc. The guidelines specify the entire process of dealing with personal information, such as collecting personal data, as well as the utilization, consignment and disposal of such data. The guidelines are available to the public so that customers can read them at their convenience.

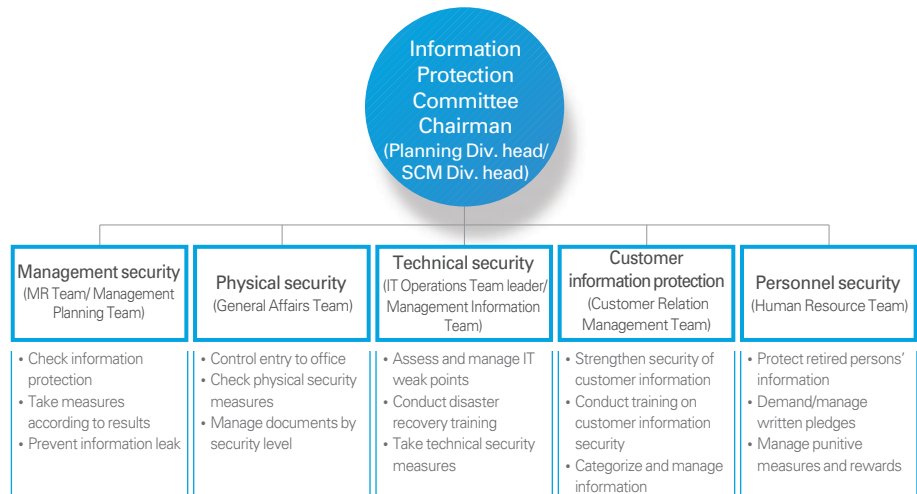
Information protection system

In 2007, Lotte Shopping created an in-house organization to oversee information protection and established related policy and guidelines at the end of the year.

► Information Protection Committee

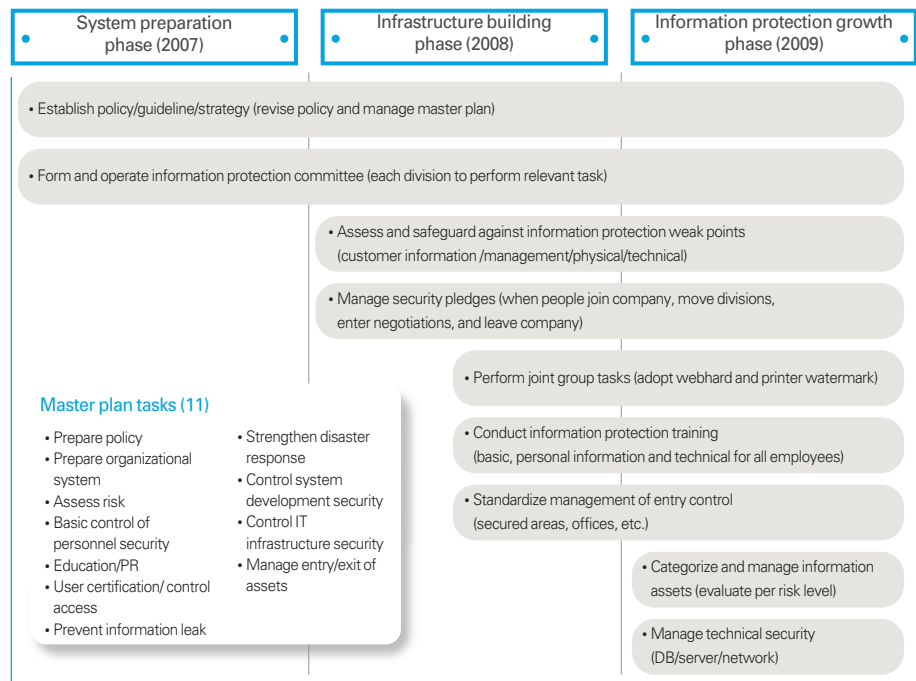
The Information Protection Committee of Lotte Shopping holds quarterly meetings to assess and discuss the status of personal information protection within the company. If any problems are revealed, the committee selects tasks to address the problems which are then reflected in everyday operations. In particular, a manager is designated to protect customers' personal information who is responsible for dealing with any complaints or questions related to personal information.

| Information protection organization |





| Information protection master plan |



Information protection meeting global standards (2010)

► Preventing data leaks through continuous training and internal inspections

Lotte Department Store and Lotte Mart conduct training to reinforce the importance of protecting customer information among employees who meet customers every day at points of sales around the country. Employees who handle customer information receive training at least twice a year. In addition, Lotte Shopping carries out various training programs which are divided by job function and rank such as those for newly recruited employees and personnel at sales points. Furthermore, regular checks and improvements are made at all customer contact points such as sales teams, promotional events, MVG lounges, customer service centers, and cultural centers to prevent any customer information leaks. In recognition of such efforts, we were selected as a company that provides excellent protection of customer information by the Ministry of Public Administration and Security in October 2009.

2008 Customer Information Protection Award



Lotte Department Store is committed to protecting customer information and has acquired two information security management systems (ISMS) certifications from Korea and overseas. For its efforts, it received the highest honor of the Grand Prize in the general category of the 2008 Information Protection Awards. The ISMS certification system involves a stringent evaluation of management technology and physical protection measures for Internet security. Companies and groups that pass the strict test are certified for their information protection management capacities. The certification attests to Lotte Department Store's continued efforts to enhance security management ability and customer information protection.



Safe shopping environment

Safety is a top priority for retail facilities that are visited by many people. Lotte Shopping engages in continuous facility inspections, improvements, as well as employee education and training to ensure that customers can enjoy shopping in a safe and secure environment.



- Fire drill competition
- Escalator inspection

Seasonal safety inspections

Jan.~Mar.	① Electrical thermal imaging measurement (1st): Check for faulty electrical connections and overheating using infrared camera. ② Thawing season and springtime inspection: Check for ruptures during thawing season and confirm progress of environmental works.
Apr.~Jun.	① Fire extinguishing and gas facility inspection: Check for normal operations of fire extinguishing and gas facilities. ② Generator operation inspection: Check automatic, no-load operation of generator through simulated blackout. ③ Escalator inspection: Check safety mechanism and hygiene of escalators.
Jul.~Sep.	① Safety inspection for storms and floods: Check equipment and action guidelines for possible damages from storms and floods during summer. ② Electrical thermal imaging measurement (2nd): Check for faulty electrical connections and overheating using infrared camera.
Oct.~Dec.	① Winter fire prevention inspection: Check safety management at vulnerable areas and use of heating equipments. ② Electrical thermal imaging measurement (3rd): Check for faulty electrical connections and overheating using infrared camera. ③ Fire drill competition (Oct.): Evaluate response to fire outbreaks by 4~7 teams at each store. ④ Special fire prevention education: Raise employee awareness about preventing fires through education on how to avoid fires and other safety accidents.

► Safety assessment

Lotte Shopping conducts quarterly safety assessments and awards prizes to the best performing stores while those that fare poorly are subject to another review. Stringent assessment standards are applied for each store.

Air quality at stores

Department and discount stores must pay strict attention to managing air quality as they are facilities visited by a large number of people on a daily basis. Lotte Shopping has its own set of indoor air quality management standards that are more stringent than those required by law. The results of the 2009 indoor air quality inspection are as follows.

Air quality measurement results

(based on October 2009 study)

Category	Measured item	Unit	Lotte Department Store		Lotte Mart		Corrective measures
			Results(avg.)	Vs. legal standards	Results(avg.)	Vs. legal standards	
Store	Particulate matter	μg/m³	32.5	23%	43.5	29%	Sufficient ventilation, strict management of A/C filter
	Carbon monoxide	ppm	0.7	8%	1.7	17%	Improved ventilation, limit use of heating apparatus, etc
	Formaldehyde	μg/m³	46.2	46%	30.8	26%	Improved ventilation, retain reasonable internal temperature
	Carbon dioxide	ppm	482.2	48%	608	61%	Improved ventilation, adjust pressure, etc
Parking lot	Fine dust	μg/m³	51.3	29%	72.6	36%	Sufficient ventilation, maintain hygiene of parking lot
	Carbon monoxide	ppm	2.7	14%	4.3	17%	Improved ventilation, prohibit idling by cars
	Formaldehyde	μg/m³	28.4	28%	20.6	17%	Improved ventilation, remove source
	Carbon dioxide	ppm	481.2	48.1%	541	54%	Improved ventilation, prohibit idling by cars



Product safety management

Lotte Shopping has established a risk management and response system for food safety and hygiene to eliminate potentially dangerous factors and enforce efficient hygiene management.

Food hygiene

► Quality assessment personnel system

Lotte Department Store introduced a quality assessment personnel system in August of 2003 to improve its food hygiene and safety levels, as well as enhance customer trust. Since May 2009, quality assessment personnel have been appointed to each store. Related operations have also been enforced by the selection of such personnel among employees with food-related experience or expertise. Recently, we conducted a regular training program by inviting external experts and are operating diverse support programs to encourage employees to acquire the state-recognized Food Handler certification. Nine of our quality assessment personnel had acquired Food Handler certification as of 2009 and our aim is to have certification for all relevant personnel.

► Introduction of test and analysis devices

Lotte Shopping introduced test and analysis devices to reinforce our own capacities to inspect food safety levels. We purchased eight machines that can check fruits and vegetables for remaining pesticide and 29 instant bacteria detection devices (ATP) for food preparation staff and cooking utensils.



• Hygiene management

Food hygiene activities

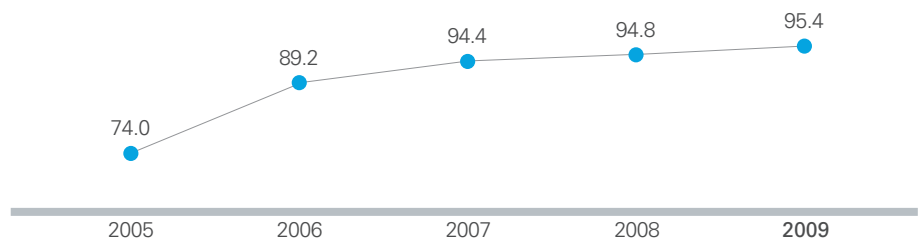
Category	Contents
Reinforcement of hygiene facility standards	- HACCP certification for meat handling site - Standardized hygiene facility criteria for deli/snack handling site (cleaning area, paper towel, knives, cutting board, sterilizer etc.)
Preparation of manual for dealing with hygiene risk situations	Includes information on how to file a report, respond to hygiene risks, and compensation standards.
Improved understanding of relevant regulations	Periodic testing of store managers on hygiene rules and regulations
Improved food hygiene duties	Reinforced hygiene training (once every quarter, in conjunction with Korea Food & Drug Administration)
Summer food hygiene control	- Prevention of accidents through strict management of items with potential for food poisoning during summer - Suspended sales of items that may cause food poisoning (May ~ Sep. of every year)



► Garment labeling inspection

In view of the growing spotlight on safety, Lotte Department Store conducts tests to check for residues of harmful substances for its entire clothing lineup. Additionally, the inspection function of each store has been strengthened by having stores check the labeling (quality label, KC mark, etc.) of all incoming merchandise. Merchandise that fail to meet the required standards are not sold in the stores to ensure that customers are provided with goods they can trust.

| LFSA results (average marks by year) |



| LFSA management categories |



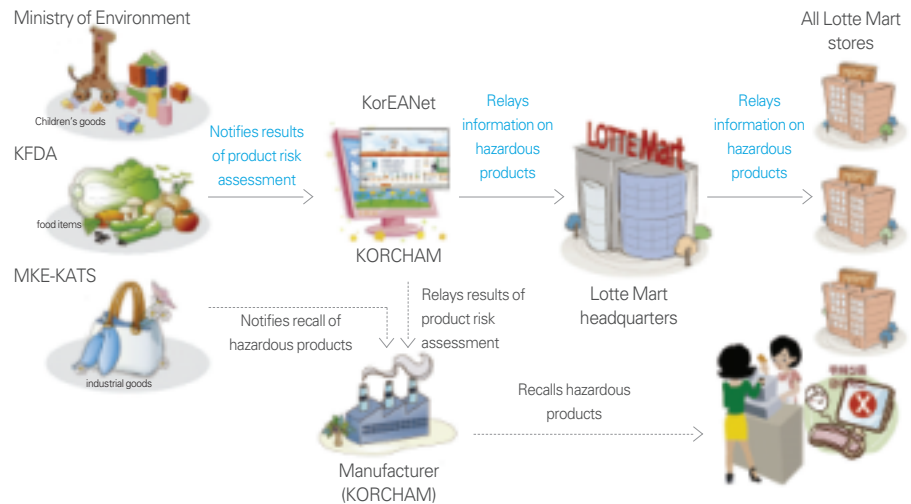


• HACCP declaration ceremony

Hazardous product blocking system

In April 2009, Lotte Mart became the first industry player in Korea to adopt a system that effectively blocks the sale of hazardous products with the Ministry of Knowledge Economy, Ministry of Environment, Korea Food and Drug Administration (KFDA) and Korea Chamber of Commerce and Industry (KORCHAM). The system works by linking information on hazardous products provided by state agencies like the Ministry of Knowledge Economy (MKE), Environment Ministry, KFDA and Korean Agency for Technologies and Standards (KATS) with Lotte Shopping's computer system via KORCHAM's KoEAnNet Product & Safety site (www.koreannet.or.kr). If the barcode of a hazardous product is scanned at the checkout counter, the sale is immediately blocked to safeguard customers. The system is currently in place at 84 Lotte Mart stores nationwide.

| Hazardous product blocking system process |



HACCP (Hazard Analysis Critical Control Point) certification

In December 2008, Lotte Department Store received the industry's first HACCP certification for its livestock products corner. HACCP is a state-recognized 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. All workers and sales representatives at Lotte Department Store's HACCP-certified livestock corner strictly adhere to a HACCP standard manual. A hygiene control program is enforced to control all hazardous elements which includes a daily log of worksite entries and exits, worksite temperature regulations, hygiene uniform, dress codes, various microbial inspections, hygiene education and sterilization of cooking utensils. Going forward, Lotte Department Store plans to further reinforce its autonomous management system and gradually expand its application to more stores in order to lead the way in providing safe and secure goods to customers.

► Hanwoo (Korean beef) tracing system

The tracing system for hanwoo or Korean beef manages information related to the delivery route, from slaughter to packaging and sales. Each of the cows has an identification ear tag which is registered with the Animal Products Grading Service's tracing support system. Since May 2008, Lotte Shopping has been conducting an online trace of all beef sold at its food stores, from its registration as a calf to sale in the distribution network. This enables customers to have confidence in the quality and safety of hanwoo products they purchase.



Providing accurate product information

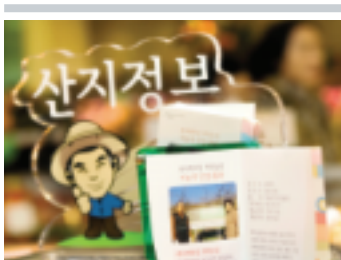
Lotte Shopping signs agreements with local agricultural goods producers to secure a stable source of quality products. We plan to continue searching for quality farms to expand the volume of contract shipments.

Assuring product quality and safety through contract farms

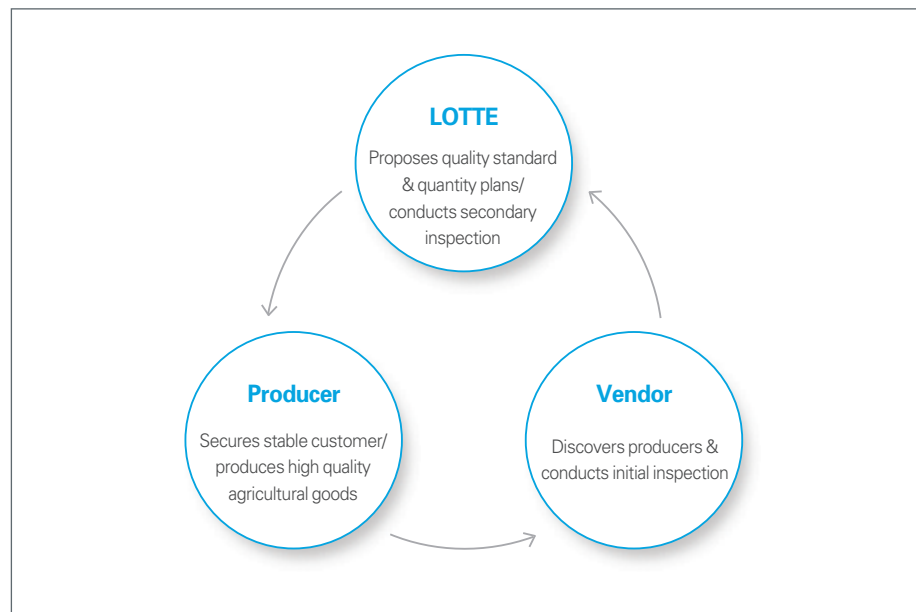
Lotte Department Store currently maintains supply contracts with 21 farms nationwide. They provide the store with top quality fruits such as apples, pears, grapes, tomatoes and melons. The contract benefits both parties. Farms are ensured a stable customer and price, while the department store secures a steady supply of high quality goods. Lotte is currently expanding the number of contracts with farms that are recognized for having top end goods in the country based on 30 years of accumulated data.

Amid the growing importance of product origin and information, Lotte Department Store and Lotte Mart are taking steps to guarantee consumers' right to know and make purchasing choices by systematically managing price per unit, sales price and POP to provide correct and accurate information to customers.

| Indication of information about contract producers |



• Producer information





► **Indication of price per unit**

The system of showing the price per unit (e.g. KRW345 per 10g) allows consumers to make more rational shopping decisions. In October of 2009, Lotte Department Store expanded the number of items featuring the price per unit from 33 to 88 items. This not only helps consumers to make more rational shopping decisions but promotes price competition among distribution companies.

► **Indication of sales price**

Lotte Department Store introduced a more detailed management guideline for price tags (August 2008) to prevent instances in which customers are misled to believe that an item is on sale for a discounted price due to the attachment of promotional price tags (sticker-type price tags which are attached to items with a price discount) on specially made promotional items.

► **Indication of ingredients/components and handling information**

All products sold at Lotte Mart have labels on their ingredients to provide correct information to customers. Additionally, the labels have information on how the products should be handled and A/S contact numbers in order to provide relevant information post-purchase.

► **Point of purchase (POP)**

Management guidelines for labeling and advertisements within department stores like POP and DM were drawn up to provide accurate prices and information on product characteristics.

Every week or on an irregular basis, Lotte Mart has automated POP (name for ads that are shown at consumer points of purchase, ads that provide information on products to customers) systems that allow customers at any store in the country to see identical images. Additionally, the time saved from automated POP operations is invested into providing customers who visit Lotte Marts with an even more comfortable shopping experience.



Think Environment





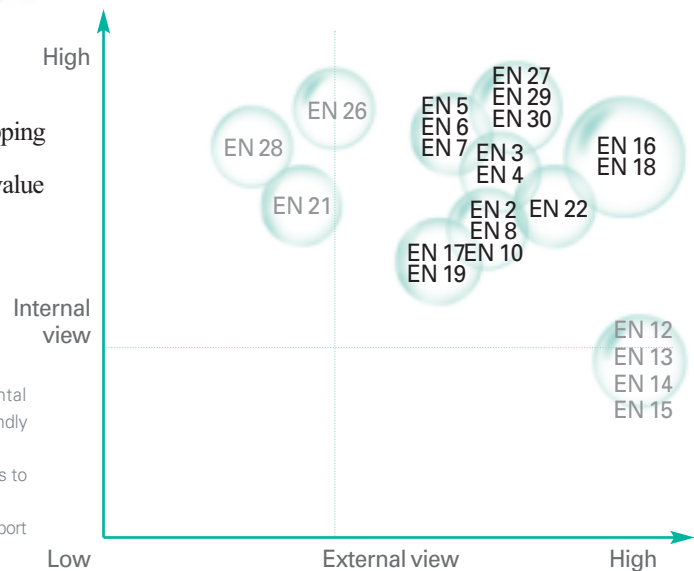
Disclosure of Management Approach

Green value management

An increasing number of companies are recognizing environmental issues as a core value in their business activities. In 2004, Lotte Shopping became the first industry player to declare its commitment to green value management and is constantly striving to become an eco-friendly company that contributes to healthy people and a healthy society.

Green value management policies of Lotte Shopping

1. Lotte Shopping shall pursue green value management to promote environmental considerations in the Korean distribution market and to grow into a global, eco-friendly distribution company.
2. Lotte Shopping shall provide customers with diverse products and cultural offerings to promote environmental values and an earth-friendly consumption pattern.
3. Lotte Shopping shall jointly promote green value management with partner firms to support their environmental management.
4. Lotte Shopping shall actively attempt to reduce waste and resource consumption, and constantly strive to better the environment.
5. Lotte Shopping shall comply with environmental regulations, and establish and practice internal environmental standards that exceed legal requirements.
6. Lotte Shopping shall form an environmental fund and participate in diverse environmental preservation activities, particularly in campaigns against climate change to highlight the importance of the environment among customers and society.



Performance

Performance indicators		Category		2007	2008	2009
EN8	Total water usage of all stores	Usage per area(ton/m ²)	Lotte Dept. Store	4.7	4.4	4.0
			Lotte Mart	9.6	8.5	6.7
EN16	Total greenh gas emissions of all stores	Emission per area(kg/m ²)	Lotte Dept. Store	280.4	274.1	261.6
			Lotte Mart	121.8	112.4	96.3
EN22	Waste	Waste recycling rate(%)	Lotte Dept. Store	54.8	51.2	55.9
			Lotte Mart	58.7	55.2	60.9
EN30	Lotte gift card environmental fund	Amount raised per year	Lotte Dept. Store	KRW980 million	KRW675 million	KRW1,080 million
	Eco-friendly store certification	No. of certified stores	Lotte Mart	-	-	1 store



Environmental management policy

Lotte Shopping declared its commitment to environmental management in 2004 and established an environmental policy. Accordingly, the environment has become a priority value in company operations and decision-making processes. Going forward, Lotte Shopping will become a company that leads 'green distribution' by minimizing the impact of our activities on the environment and strive to promote 'green values' to both producers and consumers.

Green LOTTE

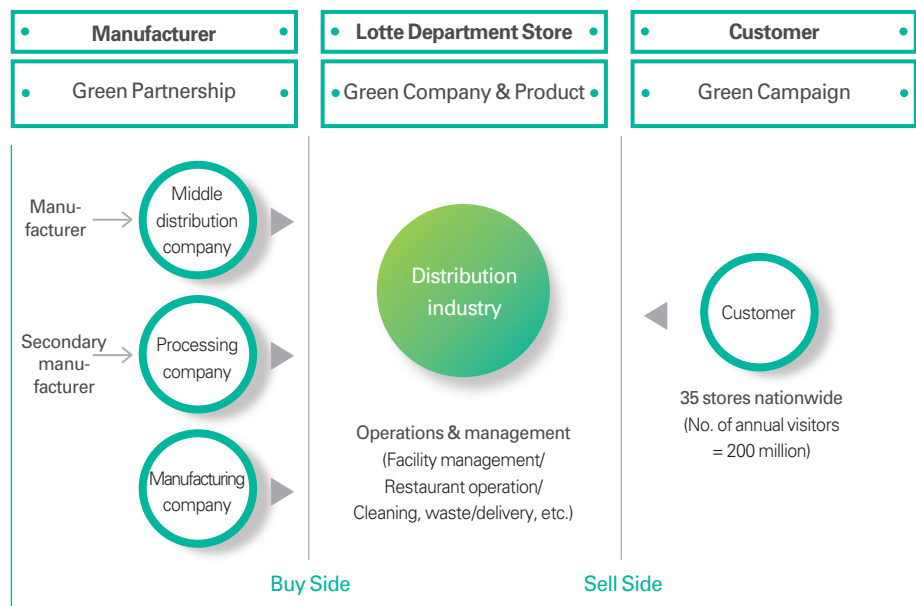


• Green LOTTE logo

Green Lotte is the environmental management slogan of Lotte Department Store. The motto reflects the department store's commitment to use its network to promote green values as Korea's leading distribution company.

Lotte Department Store's business is largely divided into two: the 'buy side' which is formed by suppliers and partnerships, and the 'sell side,' in which products are sold to consumers. The department store acts as the meeting point between the two sides. Green LOTTE can be regarded as Lotte Department Store's dedication to becoming a green hub to partner firms and consumers. To this end, it is striving to create environmentally friendly stores, provide green products, realize green partnerships on the buy side and promote green campaigns with customers on the sell side.

| Structural diagram of Green Hub |

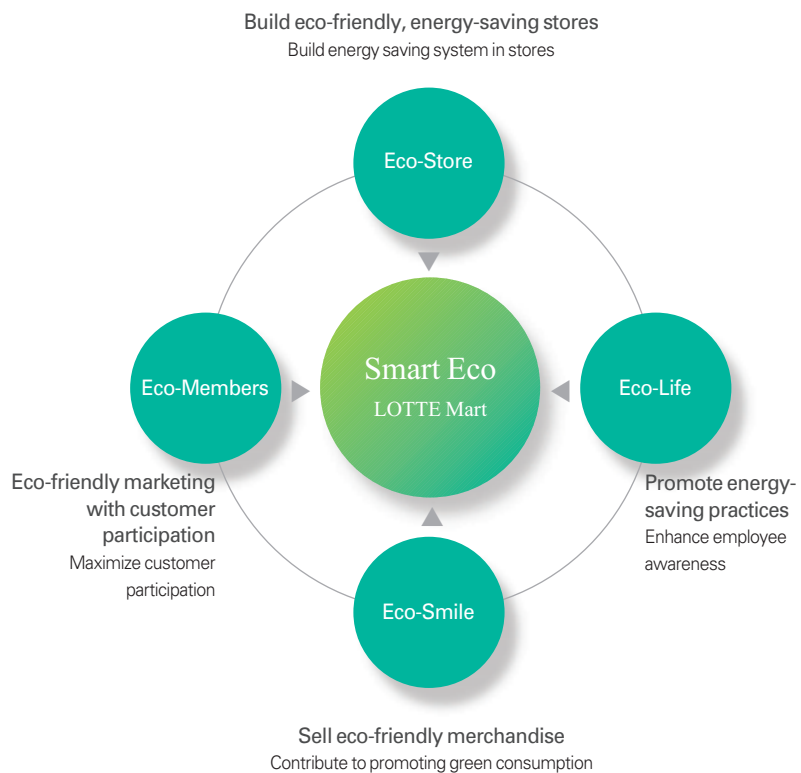




Smart Eco - LOTTE Mart

Lotte Mart declared its commitment to green management in 2008 and prepared the necessary framework. Since then, Lotte Mart has been implementing advanced environmental management that promotes eco-friendly stores, products and customer participation. Lotte Mart established the “Smart Eco-Lotte Mart” strategy with four core tasks of Eco-Store (eco-friendly stores), Eco-Smile (eco-friendly merchandise), Eco-Members (environmental campaign with customer participation), and Eco-Life (promotion of energy-saving practices in everyday life) to encourage green management throughout the company and enhance employees’ awareness about protecting the environment.

| Smart Eco |





Environmental management system

Lotte Shopping has built a system for methodical implementation of environmental management and is pursuing certification from outside agencies. In 2005, we received ISO14001 certification for environmental management. In 2010, we are currently building a carbon inventory system to manage carbon emission reductions.



• ISO14001 certification

Companywide green management system

In May 2010, Lotte Department Store completed the renewal evaluation of its ISO14001 certification for the headquarters and all stores. ISO14001 is an international standard that specifies the process for controlling and improving a company's environmental performance. Many companies, particularly manufacturing firms, are adopting the system. In 2005, Lotte Department Store became the first company in Korea's distribution industry to acquire the system certification. Lotte Mart plans to acquire ISO14001 certification for all stores within 2010.

* The current scope of environmental management system certification is limited to business sites in Korea.

Carbon inventory system

In line with growing international efforts to prevent global warming, one of the most important and basic tasks to counter climate change is to have a clear picture of greenhouse gas emissions (the quantity and source of emissions). As a distribution company that strives to be an environmental leader, Lotte Shopping is actively searching for ways to combat climate change. As a pre-emptive measure to Korea's Framework Act on Low Carbon, Green Growth, Lotte Shopping is building a greenhouse gas inventory for the first time in the distribution industry.

Lotte Shopping plans to expand the greenhouse gas inventory for all sales points by the end of 2010. To this end, Lotte Department Store successfully conducted a pilot run of a greenhouse gas inventory at its Nowon store for approximately four months starting in January 2010. The test run allowed the store to newly identify greenhouse gas sources which can be applicable to department store facilities and calculated emissions for each source following international guidelines (GHG Protocol, IPCC 2006 etc.). Through accurate calculations and analysis of emission sources following the inventory's completion, Lotte Shopping plans to establish a mid-to-long term goal for curbing greenhouse gas emissions by the end of the year and continuously manage related performances.

In December 2009, Lotte Mart joined the Ministry of Environment's pilot program of the carbon emissions trading scheme. Accordingly, Lotte Mart is continuing efforts to reduce greenhouse gases by establishing a greenhouse gas inventory of energy consumption at all stores with the goal of achieving 1% energy reduction annually by 2013. In the long term, Lotte Shopping plans to build a greenhouse inventory for all stores and receive third party assurance to continuously reduce energy consumption and greenhouse gas emissions, and emerge as an environmentally friendly company that actively addresses the issue of climate change.



Minimizing environmental impact - energy

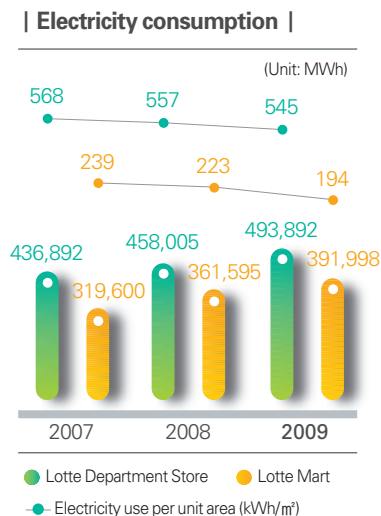
Minimizing the impact of business operations on the environment should be a top priority in fulfilling corporate environmental responsibility. Lotte Shopping is committed to reducing elements that affect the environment, such as energy and water used for operating stores, waste and CO₂ emissions which are typically associated with the distribution industry.

Energy reduction

Greenhouse gases (GHG) 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 curb energy use and CO₂ emissions 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.

► Energy (electricity) reduction results

Lotte Shopping continues to save energy through the implementation of annual energy consumption targets. In 2009, Lotte Shopping consumed approximately 885,890MWh of electricity, up 8.1 % (66,290MWh) from the previous year in terms of total usage. However, the increase was largely due to the opening of nine new department and discount stores. Our actual power consumption per unit area has been on a steady decline. In 2009, electricity use per unit area dropped 9.8% from the previous year to 302 kWh/m². Lotte Department Store's electricity use per unit area was 545kWh/m² in 2009, down 2.3% from 2008's 557kWh/m². Lotte Mart also recorded a drop of 13.0% from 223kWh/m² in 2008 to 194kWh/m² in 2009.



Electricity consumption

Category	Lotte Department Store			Lotte Mart		
	2007	2008	2009	2007	2008	2009
No. of stores	24	26	29	42	50	56
Total electricity usage (MWh)	436,892	458,005	493,892	319,600	361,595	391,998
Electricity usage per unit area (kWh/m²)	568	557	545	239	223	194

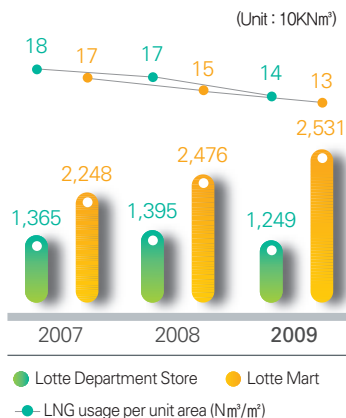
*Electricity use, fuel use and CO₂ emissions include energy consumed in stores, back office operations and customer parking lots. However, a discrepancy exists between Lotte Department Store and Lotte Mart in the area standards they use to confirm consumption per unit and emissions trends. Thus, while Lotte Department Store excludes parking space in its calculation, Lotte Mart includes the space. Currently, the two business divisions manage targets and results according to their own standards. For this report, the results of each division were shown separately. Lotte Shopping plans to complete the GHG inventory within this year and report related data using integrated standards by accurately conforming to emission source calculations, emission conversion factor and data management standards.



Reduced fuel use

Lotte Shopping uses LNG to cool and heat stores during the summer and winter, in addition to cooking purposes for in-house restaurants. The total amount of LNG used at 85 stores in 2009 amounted to 3,780Nm³, representing a 2.4% decrease from the previous year. Per unit area usage dropped even further by 18.4% from 16Nm³/m² in 2008 to 13Nm³/m² in 2009. Lotte Department Store reduced its LNG usage per unit area by 18.8% from 17Nm³/m² in 2008 to 14Nm³/m² in 2009, while Lotte Mart recorded a 17.7% decrease from 15Nm³/m² in 2008 to 13Nm³/m² in 2009.

Fuel consumption



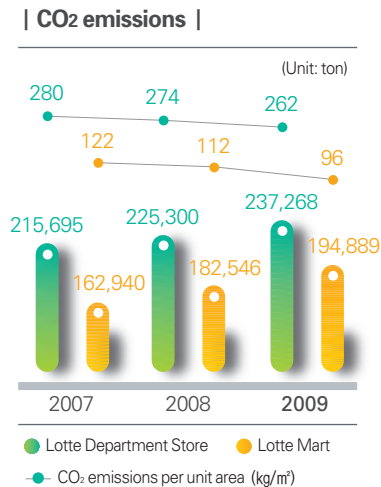
Fuel consumption

Category	Lotte Department Store			Lotte Mart		
	2007	2008	2009	2007	2008	2009
No. of stores	24	26	29	42	50	56
Total LNG usage (10KNm ³)	1,365	1,395	1,249	2,248	2,476	2,531
LNG usage per unit area (Nm ³ /m ²)	18	17	14	17	15	13

Reduced GHG emissions

Lotte Shopping recorded the following GHG emissions by source as part of our plan to build a GHG inventory. Over 90% of our emissions were indirectly emitted from stores due to electricity consumption, while the remaining 6~7% stemmed from the combustion of fuels for cooling and heating purposes.

Lotte Shopping generated 432,157 tons of GHG in 2009, up 24,311 tons from the previous year. However, the GHG emissions per unit area are actually on a downward trend thanks to continued efforts to reduce energy and fuel consumption. Lotte Shopping's GHG emissions per unit area for 2009 was 147.5kg/m², which was 11.6% lower than 2008. Lotte Department Store's CO₂ emissions per unit area decreased 4.6% from 274kg/m² in 2008 to 262kg/m² in 2009, while Lotte Mart recorded a 14.3% drop from 112kg/m² to 96kg/m² over the same period.



► High-efficiency chillers

High-efficiency chillers offer the dual benefits of reduced energy use and improved cooling efficiency. In 2009, two chillers were installed at the Gwangbok Lotte Department Store and another will be introduced to the Yeongdeungpo Store in 2010. The use of the high-efficiency chillers leads to energy savings of 4.1%.

Greenhouse gas emission sources

(Unit: ton)

	Ratio	Source
Direct emission (scope 1)	6.9%	
Fixed emission from combustion	6.9%	LNG (heating/AC and restaurants) & light oil (generator)
Fugitive emission	0.0%	CO ₂ fire extinguisher fugitive emissions
Indirect emission (scope 2)	93.1%	
Electricity purchase	93.1%	Electricity consumption
Total	100.0%	

CO₂ emissions

Category	Lotte Department Store			Lotte Mart		
	2007	2008	2009	2007	2008	2009
No. of stores	24	26	29	42	50	56
CO ₂ emissions (ton)	215,695	225,300	237,268	162,940	182,546	194,889
CO ₂ emissions per unit area (kg/m ²)	280	274	262	122	112	96

*CO₂ emission conversion factor: KEMCO data (<http://co2.kemco.or.kr/directory/toe.asp>)
0.00044t CO₂ per 1kWh of electricity, 0.00223t CO₂ per 1Nm³ of LNG

Reduced energy use with eco-friendly facilities

As most of our GHG emissions were indirectly emitted through electricity use, energy conservation efforts will have the greatest impact on reducing GHG. Various facility investments to reduce energy use were initiated in 2008, including the introduction of electricity-reducing equipment, high-efficiency LED lighting and high-efficiency turbo chillers.

► Electricity-reducing equipment

Since 2008, Lotte Shopping has been installing inverter systems for A/C motors and coolant circulation pumps which help save energy. The system works by increasing or decreasing power according to usage, thereby reducing operating power and raising operating efficiency. Lotte Department Store installed the system at 10 stores in 2008 and seven stores in 2009, while Lotte Mart features the system in 46 stores. Inverter systems produce annual energy savings of approximately 5%.

► High-efficiency LED lighting

Compared to other distribution companies, department stores consume greater amounts of electricity due to store lighting. Since 2008, Lotte Department Store has been replacing conventional lights inside stores with high-efficiency LED lamps and removing lamps in unnecessary areas. There were no LED light replacements in 2009 but plans have been drawn up to replace a total of 45,000 halogen lamps with high-efficiency products (50W→5.5W) in 2010 for approximately KRW700 million in energy savings. LED lights reduce energy use by about 1.6%. In 2009, Lotte Mart began installing LED lights for non-shop areas, such as outside signs of newly opened stores, ad towers, children's rest areas and toilets. In 2010, it plans to expand the light's application to inside shops and cultural centers, with a goal of replacing all lights with the energy efficient LED lighting by 2013.



- Lotte Mart Pyeongtaek store PV facility
- Poster on PV facilities

New and renewable energy facilities

► Photovoltaic (PV) power generation

Lotte Mart is pursuing the use of PV facilities to enable all stores to produce their own electricity. As of February 2010, 14 stores around the nation were equipped with PV facilities. The 1.3MW facilities can produce 1,700MW of electricity per year, equivalent to the electricity consumed by 600 families a year. The facilities also reduce greenhouse gases by approximately 720 tons. Lotte Mart is continuing to build PV facilities at other stores and exploring other new and renewable energy sources.

Installed stores

- Pyeongtaek, Seo(West) Daejeon, Chuncheon, Busan Sasang, Gumi, Ulsan Jinjang, Gwangju Cheomdan, Gwangju Sangmu, Iksan, Sangmu, Gunsan, Mokpo, Jeongeup

► Solar thermal power generation

The Nowon branch of Lotte Department Store became the first domestic department store to install solar thermal energy facilities in August 2008. The flat modules installed on the roof are capable of generating about 3,150 tons of hot water used in restaurants and toilets. The facility has produced energy savings of KRW7.5 million per year. Furthermore, the facility is connected with the rooftop garden of the store, allowing visitors and children a firsthand look at an environmental facility in use.

Energy saving campaign

Lotte Department Store and Lotte Mart are conducting campaigns to reduce energy consumption of buildings during the summer months (June~August) and use the savings to support the provision of new and renewable energy sources to isolated social classes. Measures to reduce energy levels under consideration include adjusting the air conditioning temperature at nationwide stores and adjusting the hours when lights are turned off.

Review of energy saving activities

Review target	Review contents
Store	Control lighting by standards for lighting and lights-out schedule, turn on lights only in necessary areas after close of business (construction, promotional event preparation, etc.), maintain appropriate internal temperature according to A/C and heating standards, shut off power and unplug PC, OA devices, lighting equipment
Office	Designate two staff members (main and assistant) for each team and division for office energy control, turn off and shut off power for lighting, OA, heating equipment, unplug devices, turn off lights during meal times
Parking lot	Light parking area in sections by controlling vehicles' entry by floor, turn lights off during daytime for areas with natural lighting, comply with standards for parking lot emissions facility operations
Warehouse/back office	Storage manager to check lights off, lighting of every other light and put out all lights in unused areas
External lighting	Control lights of outside facilities by stages such as streetlamps and show windows



ECO STORE

Lotte Mart is expanding the number of 'Eco Stores' by installing new and renewable energy generation facilities, eco-friendly finishing materials and energy-efficient facilities at new stores. After the launch of the first Eco Store at Pyeongtaek in June 2009, Eco Stores at Jeongeup and Chuncheon were added in November of 2009 and February of 2010 respectively. Eco Stores are being welcomed by customers for their pleasant shopping environment and reduced carbon emissions.

► Eco Store facilities

- PV power generation facilities: PV power generation facilities have been installed on the rooftop parking area to produce electricity. They have been installed at the Pyeongtaek (29kW), Jeongeup (167kW) and Chuncheon stores (49kW).
- Hybrid streetlamps: Electricity generated from solar and wind power during the day is saved to light up streetlamps located at public areas outside store buildings.
- LED, T5 lighting: LED lights which consume lower amounts of electricity are installed in signs outside store buildings, advertising towers, children's area and toilets. High-efficient fluorescent lamps (T5) are used at food sections and the rear area of stores.
- Natural lighting system: Natural sunlight is drawn into the building to reduce the use of artificial lamps during the daytime and provide a more pleasant, natural shopping environment to customers.
- Eco-friendly store finishing materials: Environmentally friendly finishing materials are used for the store flooring, walls and ceilings to provide a healthier and pleasant shopping experience.
- High-efficiency facilities: Inverters and automatic control facilities are being used to reduce stores' energy consumption, such as electricity and gas.
- Eco-friendly customer rest area: A relaxing and nature-inspired rest area is available for customers.

► Green building certification

The Chuncheon branch of Lotte Mart acquired a certification of excellence as a green building from a government certification agency for using PV power generation facilities, its plans for reducing energy consumption, and applying environmentally friendly/recycled materials. The Central Changwon store will also pursue green building certification as well as other new stores to be launched in the future.

Green rooftop project



• Rooftop park

The rooftops of the Ilsan, Nowon and Centum City branches of Lotte Department Stores feature ecological parks. When the Ilsan store park was first created in 2006, it was the largest rooftop eco park in Korea with a wide variety of plant species. Since then, it has further developed and advanced toward its goal of acting as an "ecological bridge to surrounding nature." In the fall of 2007, it also won the Chairman's Prize at the 2007 Roof, Wall, and Special Afforestation Technology Contest (hereafter 'Roof Contest') hosted by the Urban Afforestation Technology Development Organization of Japan. Contrary to other roof gardens, Lotte Department Store's biotope eco parks consider ecological cycles. They provide a natural resting area for customers and employees, and an environmental learning ground for young children. They also help prevent urban heat island phenomenon and improve the building's energy efficiency by more than 15%, thus contributing to curbing greenhouse gases.



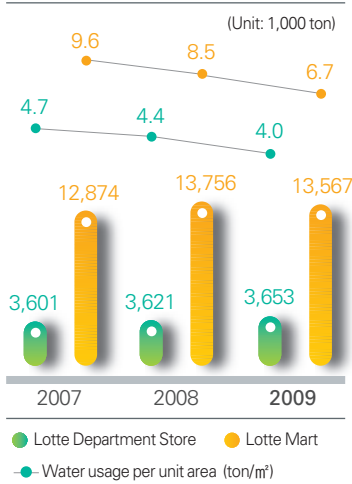
Minimizing environmental impact – water resources

The majority of water used in department stores and discount stores is used in customer toilets, food corners and restaurants. Lotte Shopping is promoting a water conservation campaign among employees and customers, in addition to reducing total water use by employing heavy water and rain water systems.

Water usage

Total water usage in 2009 amounted to 17.2 million tons, representing a slight dip of 0.9% from the previous year. Considering our business expansion (nine new stores), per unit water usage actually dropped by 16.9%, confirming that our efforts to reduce and reuse water resources are reaping results. Lotte Department Store lowered its water usage per unit by 9.1% from 4.4ton/m² in 2008 to 4.0ton/m² in 2009 while Lotte Mart managed a 21% reduction from 8.5ton/m² in 2008 to 6.7ton/m² in 2009.

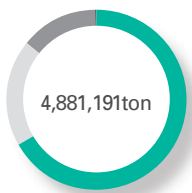
| Water usage |



Water usage

Category	Lotte Department Store			Lotte Mart		
	2007	2008	2009	2007	2008	2009
No. of stores	24	26	29	42	50	56
Total water usage (1,000 ton)	3,601	3,621	3,653	12,874	13,756	13,567
Water usage per unit area (ton/m²)	4.7	4.4	4.0	9.6	8.5	6.7

Lotte Department Store reclaimed water usage



City water	3,260,037ton	66.79%
Heavy water	929,938ton	19.05%
Underground water	690,227ton	14.14%
Rainwater	989ton	0.02%

► Reclaimed water facilities

Lotte Department Store is contributing to saving water resources by recycling water with heavy water facilities and through a water conservation campaign. Currently, about 33% of its total water usage is reclaimed. In 2010, Lotte Department Store plans to install rainwater storage facilities at stores that do not have heavy water facilities and after a trial period, expand those facilities to all stores. Storage facilities capable of holding 100 tons of rainwater will initially be installed at the Sangin Store in June and the Premium Outlet Gimhae Store in October to be used for toilet, landscaping and cleaning purposes.



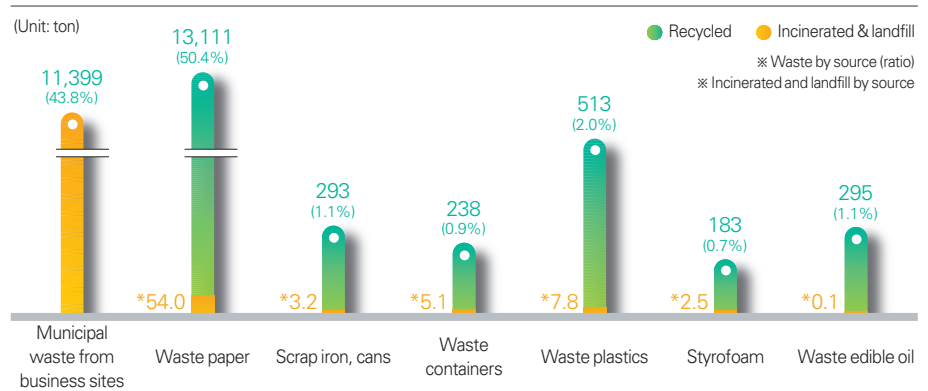
Minimizing environmental impact – waste

Municipal waste from store operations comprises the majority of waste generated at Lotte Shopping. Approximately 55% of total waste however is recycled, thanks to our strict adherence to recycling guidelines.

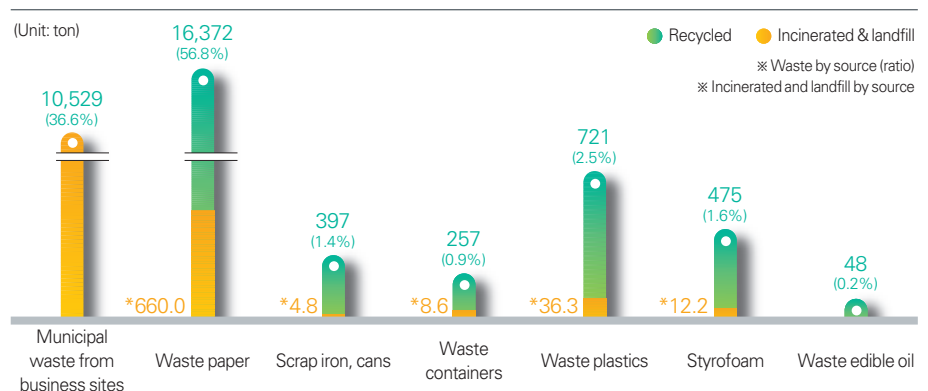
Waste management

Lotte Department Store generated 26,030 tons of waste last year comprising municipal waste (11,399 tons or 43.8% of total) from store operations and waste paper (13,111 tons or 50.4%). Thanks to stringent waste management, Lotte Department Store is recycling 14,559 tons of waste per year. The high figure corresponds to 99.5% of recyclable waste (excluding municipal waste from business sites). Meanwhile Lotte Mart produced 28,799 tons of waste in 2009, most of which was also municipal waste (10,529 tons or 36.6%) and waste paper (16,372 tons or 56.8%). Of the amount, 17,548 tons of waste is being recycled, which represents a 96.0% recycling rate of items that can be recycled.

| Lotte Department Store waste generation and recycling (2009) |



| Lotte Mart waste generation and recycling (2009) |





Reduced packaging

Excessive and unnecessary packaging during the consumer goods distribution process causes garbage and is a waste of resources. Lotte Shopping is striving to minimize the impact of packaging on the environment by encouraging manufacturers to adopt simpler packaging, eliminating secondary and tertiary packaging for our own products and promoting the use of reusable shopping bags.

Agreement to reduce packaging

Lotte Department Store and Lotte Mart have been participants of the Ministry of Environment's voluntary agreement to reduce promotional packaging since 2008.

► Green Mileage

Lotte Mart is an active participant of the Green Mileage campaign to remove secondary packaging for promotional items. The Green Mileage campaign is designed to remove unnecessary secondary packaging that was previously used for bundle sales and promotional purposes and instead promote the efficient use of resources and help protect our environment.

Lotte Mart also provides customers who purchase Green Mileage products with Lotte member points for up to 2% of the purchase amount, which is quadruple the existing amount of 0.5%. Thus customers who participate in our efforts to protect the environment and save resources are rewarded with benefits. Additionally, we are also promoting diverse promotional events to spur sales of Green Mileage products such as selling batches of products at a discount price without additional packaging. During 2009, Lotte Mart sold approximately KRW4.8 billion worth of Green Mileage products and awarded customers with totally KRW97 million worth of Green Mileage points.

● Green Mileage points

KRW 97 million

Green Mileage campaign results

(Unit: KRW million, %)

Product group	Revenues	Green Mileage points	Ratio
Foods	2,394	48	49.4
Detergents and hygiene products	2,302	46	47.5
Kitchen products	120	2	2.5
Clothing	33	1	0.7
Total	4,849	97	100.0

► Guidelines on excessive packaging

Lotte Department Store created guidelines to eliminate secondary packaging for each product group and to prevent excessive packaging for holiday gift sets. Additionally, it conducted a review of cosmetics and liquor gift sets to check their compliance with the packaging guidelines during the sales period for Chusok gift sets.



Packaging standards per product group

Product type	Packaging space ratio	No. of packaging
Processed foods and health supplements	less than 15%	2
Beverages	less than 10%	1
Liquor	less than 10%	2
Cosmetics	less than 10%	2
Detergents	less than 10%	2
Sundries	less than 30%	2
Shirts and underwear	less than 10%	1
Composite goods (item which groups several individual products together)	less than 25%	2

► Eco-friendly packaging

Lotte Mart has been using biodegradable containers made of PLA to package cooked food items since 2005. It is also expanding the use of paper containers. PLA trays are made of cornstarch and cut the use of fossil fuels by 20~50% compared to conventional polystyrene foamed tray. Additionally, PLA trays help to reduce hazardous substances during the waste treatment process. Lotte Mart also introduced packaging for fruit gift sets using recycled paper and paper instead of Styrofoam packaging since Chusok of 2009. Since the Lunar New Year holidays of 2010, Lotte Mart set a precedent in the Korean distribution industry by expanding the use of recycled paper and paper for packaging all fruit gift sets.

Lotte Department Store also replaced the disposable plastic containers used to package instant foods and livestock goods with biodegradable containers made of corn starch. In particular, corn-based containers have replaced the plastic containers used for holiday gift sets which had previously caused a spike in disposable packaging materials. As for marinated meats or spicy raw crab and other foods that were sold in plastic dishes, they are now being packaged in re-sealable and re-usable plastic containers that are commonly used at homes.



Expanded distribution of environmentally friendly products

For a distribution company that bridges manufacturers and consumers, one of the activities that has the most direct and important impact on stakeholders is the expansion of environmentally friendly products. Lotte Shopping is expanding the ratio of eco-friendly products sold at its stores by expanding specialized corners for eco-friendly and organic products, developing environmentally friendly PB products, and operating an eco-friendly product labeling system. We are also expanding green purchases for items used in our regular business activities.

Eco-friendly PB product development

In March 2009, Lotte Mart became the first Korean discount store to launch an eco-friendly logo called "Eco-Smile" and provide related information to customers. Lotte Mart also expanded the carbon labeling system to PB products. Carbon labeling system is being pursued as part of the government-led eco-friendly green management initiative.

► Eco-Smile

Eco-Smile is a compound word made up of "ecology" and "smile." The mark represents an earth where nature and man live in harmony. The Lotte Mart concept brand was designed to allow consumers to easily identify and select eco-friendly products. The mark is attached to all eco-friendly Lotte Mart PB products such as those with reduced packaging, natural raw materials, reduced pollutants, low carbon certified and fair trade products. Lotte Mart began developing eco-friendly PB products in earnest from 2008 and launched the Eco-Smile mark in 2009 to coincide with a large-scale expansion of its eco-friendly PB product lineup. As of the end of 2009, Lotte Mart had developed a total of 212 eco-friendly PB products on an accumulated basis. The lineup includes pesticide-free items such as organically-certified agricultural products, processed foods and clothing which have reduced environmental pollutants; kitchen/disposable goods/toothbrushes made with biodegradable PLA materials; toilet paper made of recycled milk cartons to reduce unnecessary resource waste; kitchen goods that minimize logging by using fast-growing bamboo; and detergents which use natural extracts to counter pollutants. Furthermore, Lotte Mart is actively involved in the government's carbon labeling scheme, having acquired certification for 12 items in seven product categories.



• Eco-Smile logo

Number of eco-friendly PB products

212

Lotte Mart eco-friendly PB products

(Unit: SKU)

Eco-friendly elements		2009	2010 plans	Total number of developments
Eco-friendly raw materials	Natural materials, recycled materials, bamboo pulp toilet paper, etc	84	16	100
Organic	Organic vegetables, fruits, grains, eggs, green tea etc	59	19	78
Eco-friendly packaging	Biodegradable packaging, recycled packaging material, reduced no. of printings	68	5	73
Environmental certification	Carbon certified (29), fair trade (6)	1	35	36
Total		212	75	287



Environmentally friendly certified organization

Lotte Mart is striving to go beyond securing safe products to reduce pollution from agricultural activities, expand environmental preservation activities and grow the list of environmentally friendly agricultural goods. To this end, it established an eco-friendly agricultural team in December of 2009 and submitted an application to become an environmentally friendly certified organization to the National Agricultural Products Quality Management Service (NAQS). After a strict evaluation process, NAQS designated Lotte Mart as no. 59 environmentally friendly certified organization on February 3, 2010. Buoyed by the designation, Lotte Mart is currently attempting to receive environmental certification for 18 items during 2010 and expand sales of eco-friendly items from KRW54.9 billion in 2009 to KRW65.3 billion in 2010.

Sales of eco-friendly products

(Unit: cases, KRW billion)

Category	2009			2010 plan			
	Certified items	No. of certifications	Sales	Certified items	No. of certifications	Sales	Growth(%)
GAP*	19	14	4.8	27	36	5.7	18.2
Eco-friendly	-	-	54.9	18	18	65.3	19

* GAP (Good Agricultural Practices)

GAP is system that manages harmful elements like pesticides, heavy metals or toxic substances that may remain on agricultural goods from the production stage through to the harvest and packaging stages, in addition to informing consumers of related matters.

Lotte Green Label

Lotte Department Store introduced the Green Label system to encourage environmental management in the apparel industry and promote the commercialization of eco-friendly fashion. The state-sponsored eco-friendly product mark certification system and Good Recycle mark are usually catered to industrial product standards and frequently do not apply to clothing and food items which are the main products sold by department stores.

The Lotte Green Label system awards Green Labels to exemplary and environmentally friendly products manufactured by partner firms that practice environmental management. Twice a year, Lotte Department Store evaluates the eco-friendliness of products sold by such companies. The standard for companies practicing environmental management is whether they have international environmental certification such as ISO14001 or organic cotton certification and policies related to environmentally friendly products. Environmentally friendly products are judged on whether they include any hazardous substance such as formaldehyde and heavy metals, in addition to color fastness, quality and compliance with labeling regulations. The products must fully comply with Korean and European standards to receive the Green Label designation. Products that receive the label are clearly identifiable by consumers as being environmentally friendly and of high quality. Plans are in the works to provide incentives for companies that receive the Green Label.

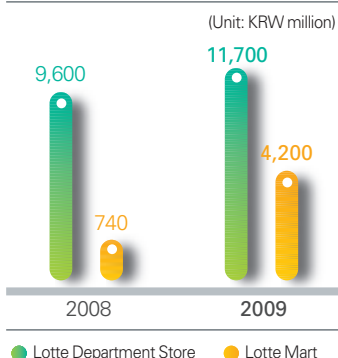


- Green Label logo
- Environmentally friendly store, "Purum"



- Eco-Shop
- Ceremony to mark Voluntary Agreement on Green Purchasing

| Green purchasing performance |



Eco-Shop

Lotte Department Store also operates Eco-Shop featuring a choice selection of accessories, toys, stationary and clothing items that are environmentally friendly and boast outstanding design and quality. The first Eco-Shop was opened on the eighth floor of our main store in 2008. A second Eco-Shop, double the size of the first, was opened at Jamsil branch in 2009. Revenues from the sale of environmentally friendly products at Eco-Shop go toward an environmental fund that is used for diverse environmental campaigns.

Eco-Shops

Category	Children's goods	Eco-friendly apparel	Solar-powered toys	Bird dolls	Consumer products
Ratio	40%	30%	10%	10%	10%
Major products	Ocher-dyed children's goods, wooden toys	Clothes made with organic cotton, nettle	Solar-powered toys that don't need batteries	Bird dolls with realistic built in bird song (made by UK Royal Society for Protection of Birds)	Items made by designer Lee Sangbong, printmaker Lee Cheol-soo

Green purchasing

Lotte Department Store and Lotte Mart implemented a green purchasing policy of making priority purchases of items that have received environmental certification and do not contain any hazardous materials. Since December 2006, Lotte Department Store has been a participant of the Environment Ministry's Voluntary Agreement on Green Purchasing. Accordingly, Lotte Department Store prepared guidelines on green purchases and is striving to expand the list of items bought that are certified as being environmentally friendly. In 2009, Lotte Department Store recorded KRW11.7 billion of green purchases, an increase of approximately 10% over the previous year. Lotte Mart joined the voluntary agreement in 2009 and realized KRW4.2 billion of green purchases in the same year, a rise of 467% over the previous year.

| Expanding list of green purchase items |

- Lotte Department Store and Lotte Mart have adopted flyers which bear the environmentally friendly certification mark and business cards made of recycled paper. Currently, Lotte Mart's list of green purchase items includes water-based paint, kitchen detergent, monitors and computers as well as paper towels and toilet tissue for customers. Company employees are also all participating in green purchases through the use of office files that are certified as being green.
- Lotte Mart switched to paper gift box packaging for holidays from MDF plywood which produces environmental hormones. The replacement has acted as a springboard to boosting green purchases.
- Lotte Mart developed advertising tools which can be used on a semi-permanent basis so that paper could be used inside stores instead of foam boards (a type of Styrofoam). This reduced the monthly amount of foam board waste by over 80% and resulted in annual savings of approximately KRW100 million.



Green partnership

For a distribution company like Lotte Shopping, it's imperative that partner firms who supply goods to us also partake in environmental management. In addition to the environmental impact of operating stores, the secondary environmental impact levied by partner firms throughout the product manufacturing and delivery stages is significant. Accordingly, Lotte Shopping is also committed to promoting environmental management among suppliers.

Green partnership



• Green partnership

Lotte Department Store carried out the Partner Firm Green partnership project from 2007 to 2009. Sponsored by the Ministry of Knowledge Economy, the project involved 22 partner firms representing each product group. Support was extended to build an environmental management system, create a clean production process, and develop green marketing and PR tools.

► Achievements of Green partnership projects

Building of green management system

Lotte Department Store provided expert consulting services for project participants to build their own environmental management systems. As a result of the Green partnership project, a total of 18 partner firms acquired ISO14001 certification for environmental management.

Publication of sustainability reports

Lotte Department Store provided consulting to identify and analyze non-financial elements, and paid for the cost of producing sustainability reports. Eleven companies published sustainability reports.

Improvement of production and logistics processes

Decreased energy consumption and waste, and improvements in transport and storage processes are contributing to cost savings. We extended aid to four companies in coming up with clean logistics tasks, finalizing a related roadmap, and establishing an action plan to curb energy use.

Creation of green management manual

The Green partnership project is not limited to providing benefits to the 22 participating companies. It is designed as a win-win project for all 1,500 partner firms of Lotte Department Store. The department store created 'Manual for Environmentally Friendly Apparel Industry', 'Manual for Environmentally Friendly Group Catering' and 'Manual for Environmentally Friendly Cleaning' by implementing a standardization process for green management system per product category. The manuals were distributed free of charge to some 700 clothing, catering and cleaning companies that provide goods and services to Lotte Department Store.

Operation of partner firm Green School

The Green School initiative travels around the country to enhance environmental awareness and understanding of green management among workers dispatched from vendors. To date, some 2,500 of these co-workers have completed the course. An online education course has also been produced to enable easy access to employees of partner firms.

Provision of environment information to consumers

The Lotte Green homepage (www.lottegreen.co.kr) was created to provide consumers and partner firms with environment related information. Customers can view information on green products while the website acts as a PR channel for partner firms to promote the 'greenness' of their products. Additionally, the site offers partner firms helpful forms and material to support them in their green management efforts.



Campaign to promote green values

Lotte Shopping meets hundreds of millions of people every year and accordingly, is closely linked to consumption patterns and lifestyles. Lotte Shopping is encouraging easy ways for people to get involved in a more earth-positive lifestyle through various environmental campaigns. The company also oversees educational programs for children and sponsors exhibits on climate change to instill the importance of the environment among tomorrow's generation.

Cool Biz/Warm Biz campaign

Every year, Lotte Department Store prepares a Cool Biz Campaign Fashion Show ahead of summer. The campaign is designed to encourage office workers in the summer to take off their ties and jackets in the office and raise the air conditioning temperature in order to reduce carbon dioxide emissions by approximately 2 million tons by raising the A/C temperature by 2°C. Since the department store first introduced the campaign in 2005, Lotte has been leading the move for an energy saving and eco-friendly lifestyle. During the colder months, the department store conducts the Warm Biz campaign which encourages the use of warmer clothing and lower indoor heating temperatures. These campaigns not only incite clothing companies to produce items that complement the Cool or Warm Biz campaigns, but they also propose a new fashion trend to consumers and thereby, naturally promote a more environmentally friendly lifestyle among the general public.

Lotte Mart also conducts the Cool Biz campaign and a campaign to wear long johns in winter. Lotte Mart is taking the lead in saving energy by lowering store temperatures to 20°C during winter months and having employees working in the offices to wear thermal underwear.

Eco bag campaign

In a bid to reduce the use of vinyl bags, Lotte Department Store and Lotte Mart have been promoting the use of eco bags. Every year, Lotte Department Store conducts a competition for employees to come up with the most attractive and convenient bag design. Every year, it distributes more than 400,000 reusable shopping bags.

After first introducing eco bags in 2004, Lotte Department Store has produced and distributed roughly 3 million bags as of 2009. Its food corners also offer customers a fifty won discount off their grocery bills for each bag that customers bring from home. Lotte Mart meanwhile is providing personal shopping carts and eco bags to customers. In 2009, it joined hands with the Chosun Ilbo for an environmental campaign and distributed 80,000 eco bags personally designed by the local celebrity Lee Hyori. The bags were a big hit with customers. Also in 2009, it handed out some 32,000 personal shopping carts centering on newly opened stores. The foldable carts have wheels on the bottom for easy and convenient transport of goods. In 2010, Lotte Mart plans to produce more than 150,000 personal shopping carts with reinforced wheels for distribution to customers.



- Cool look fashion show
- Eco bag



Environmentally friendly gifts

Customer gifts provided during promotion periods are increasingly becoming friendlier for the environment. Past examples include containers for recycling garbage, bicycle baskets and eco-friendly potted plants. Additionally, the gifts are no longer wrapped in secondary packaging.

Environmentally friendly gifts by Lotte Mart

(Unit: SKU)

Month	Store	Gift item	Amount
2009	All	Bicycle basket	1,500
	All	Bicycle helmet	1,000
	All	Eco Smile tissue	3,100
	All	Lee Hyori shopping bag	80,000
	All	Bicycle	700
	All	Recycling container	33,500
	All	Happy dream shopping cart	43,000
2010	All	Eco Smile paper cups	550
	All	Eco-friendly wet wipes	300
Total			163,650

Eco flyers



• Eco flyer

Lotte Department Store is doing its part to reduce carbon emissions by using environmentally friendly materials for flyers that number more than 500 million per year. Lotte was the first department store to use environmentally certified recycled paper for its fliers. At the same time, it replaced industrial solvent ink for printing with soy ink certified by the American Soybean Association to minimize pollution. The eco-friendly flyers cost about 20% more than those printed on ordinary paper but save 5g of carbon emissions per page. Accordingly, printing an annual volume of 500 million flyers using such earth positive materials help to reduce 2,600 tons of emissions. Additionally, Lotte Department Store discontinued the weekly publication of paper flyers in 2009 and issued online leaflets, which reduced the number of offline flyers by 74 million. In consideration of the environment and customer convenience, the size of flyers was also reduced from 27X39cm to 27X32cm, which cuts paper use and accordingly, reduces carbon emissions by 200 tons annually.

Greensumer community

Since May 2009, Lotte Mart has been operating the Eco Smile Club for greensumers who are interested in environmental activities. Eco Smile Club members receive an additional KRW50 discount for shopping bags when they purchase Lotte Mart green products. They also receive diverse information on environmental activities and products through the quarterly Eco Smile DM. By the end of 2010, Lotte Mart plans to boost publication of the Eco Smile DM to a bimonthly basis. As of April 2010, the number of registered members was 7,400. The goal is to have 10,000 registered members by the end of 2010 through active marketing.



► Eco Tree project

For five months from May to September of 2009, Lotte Mart carried out the Eco Tree event. Customers who purchased green products during that period received leaf-shaped stickers called eco leaves and were asked to attach the stickers to the Eco Tree located within the store. Lotte Mart purchased a real tree for every 100 stickers and as a result, the 80,000 stickers collected during the period translated into 800 trees. In March 2010, Lotte Mart invited 200 Eco Smile Club members and regular customers to attend a ceremony at Seoul Forest to plant the 800 trees and an additional 400 trees donated by Lotte Mart.



- Eco Tree project
- Climate change experience exhibit

Sponsorship of environment-themed exhibitions

Lotte Department Store sponsored a climate change experience exhibit called 'I Love Earth' organized by the American Museum of Natural History from June to August of 2009. The exhibit received favorable response from visitors for offering a hands-on, five senses experience of an urban environment that is threatened by climate change. In addition to sponsoring the exhibit, Lotte Department Store prepared a special exhibit of its environmental performance on the second floor of the exhibition space, and conducted various promotional activities through pre-opening events and DM.

Lotte Environmental School for Children

Lotte Department Store operates an experience-based education program for children aimed at teaching them about the importance of caring for our environment. The Lotte Environmental School for Children was launched in 2004 and produced 1,300 graduates over five years until 2008. Children visited an environmental farming community and went on a searchlight tour among the diverse list of learning programs. During holidays, they were offered the chance to visit glaciers in Canada, environmental wetlands in Hong Kong and study facilities in Japan devoted to preventing global warming. The curriculum reflects current environmental issues and attracts thousands of applicants every year for its high quality program.



Lotte Green Fund

Every year, Lotte Shopping transfers a portion of its revenues to the Green Fund for use in various environmental protection activities and campaigns to promote environmental awareness.

●
 Expenditures of environmental gift card fund

KRW 4,713 million

Environmental gift card

Since Lotte Department Store declared its commitment to green value management in 2004, it has been conducting a campaign in which a portion of sales from gift cards are reverted to an environmental fund. The environmental gift card campaign promotes a virtuous cycle in which the money paid by a consumer for a gift card is used in part to fund various environmental preservation projects like preventing global warming, thus returning the results of consumption back to the consumer in the form of a healthier natural environment. The campaign offers customers an easy way to join in efforts to preserve our planet. From 2004 to 2009, Lotte Department Store accumulated KRW4,713 million for the environmental gift card fund and donated the money to an environmental group. The funds were used in the following ways.

| Expenditures of environmental gift card fund |

(Unit: KRW million)

2004 gift card fund: KRW600 million	2005 gift card fund: KRW650 million	2006 gift card fund: KRW800 million
<ul style="list-style-type: none"> • 1st Environmental Film Festival 200 • Bird love scholarship 150 • Publication of children's books on the environment 100 • Campaign to protect winter birds 75 • Research of environmentally advanced countries 50 • Other 25 	<ul style="list-style-type: none"> • 2nd Environmental Film Festival 200 • Campaign to protect birds, etc 170 • Environmental school for children 150 • Environment experience program for children 50 • N-EXPO Tokyo (environmental expo) 50 • Environmental education program for family 30 	<ul style="list-style-type: none"> • 3rd Environmental Film Festival 200 • Environmental school for children 200 • Sponsorship of international environmental campaigns, etc 160 • Campaign for eco-friendly fashion 80 • Environmental scholarship 80 • Research of environmentally advanced countries 80
2007 gift card fund: KRW980 million	2008 gift card fund: KRW675 million	2009 gift card fund: KRW1,008 million
<ul style="list-style-type: none"> • Construction of database for bird data 280 • Environmental school for children 170 • Campaign to prevent global warming 170 • Bird love campaign 135 • Support for environmental community 130 • Earth Day events, etc 95 	<ul style="list-style-type: none"> • Environmental school for children 200 • Support to create environmental curriculum 170 • Recovery efforts for Taean oil spill 200 • Sponsorship of international environmental campaigns, etc 100 • New and renewable energy facilities 90 • Customer volunteer program for environmental activities 80 • Development of carbon calculator 35 	<ul style="list-style-type: none"> • Environmentally friendly facilities 400 • Sponsorship of special exhibit on climate change 360 • Campaign to prevent global warming 120 • Sisterhood ties with overseas children 53 • Minus Energy, Plus Love 50 • Ministry of Environment's Green Start campaign 25



Think Society





Disclosure of Management Approach

Social contribution

Lotte Shopping is committed to grow into a company that is respected and trusted by society by emphasizing integrity and social responsibility. We establish major CSR directions and direct investments in related initiatives while each store is working to make a positive impact on the communities where they do business.

Lotte Shopping is also dedicated to fulfilling social and ethical responsibilities to our valued partners including partner companies and vendors' employees.



Performance					
Performance indicators		Category	2007	2008	2009
S01	Social contribution performance indicators	Social contribution expenses relative to pretax profits	1.2%	0.9%	1.6%
		No. of participants in volunteering activities	Served as volunteer activities certification center		7,343
		Total volunteer hours	All stores took part in social contribution activities such as one store-one mountain/river protection campaign		26,565 hrs
PR5	Cultural center member status	No. of cultural center members	652,737	746,029	784,088



UN Global Compact

In January 2007, Lotte Shopping became the first in the industry to sign the United Nations Global Compact. We proclaimed our full support for the 10 principles of the Global Compact with respect to human rights, labor, environment and anti-corruption and our commitment to making the Global Compact and its principles part of the strategy, culture and operation of our company.



• UN Global Compact logo

UN Global Compact 10 Principles and our implementation

Category	10 Principles	Related regulations and compliance
Human Rights	• Businesses should support and respect the protection of internationally proclaimed human rights	▶ Standards of Ethical Conduct Chapter 4 Article 10 (Comply with the regulation)
	• Businesses should make sure that they are not complicit in human rights abuses.	▶ Standards of Ethical Conduct Chapter 4 Article 10 (Comply with the regulation)
Labor	• Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	▶ Standards of Ethical Conduct Chapter 4 Article 10 (Comply with the regulation) ▶ Sign Collective Agreement every year
	• Businesses should uphold the elimination of all forms of forced and compulsory labor	▶ Standards of Ethical Conduct Chapter 4 Article 10 (Comply with the regulation)
	• Businesses should uphold effective abolition of child labor; and	▶ Standards of Ethical Conduct Chapter 4 Article 10 (Comply with the regulation)
	• Businesses should uphold the elimination of discrimination in respect of employment and occupation.	▶ Company Regulations on Hiring Rules Chapter 1 Article 4 (Equal treatment)
Environment	• Businesses should support a precautionary approach to environmental challenges;	▶ Standards of Ethical Conduct Article 19 (Environmentally friendly) ▶ Build greenhouse gas inventory, Energy conservation campaign
	• Businesses should undertake initiatives to promote greater environmental responsibility	▶ Standards of Ethical Conduct Chapter 6 Article 19 (Environmentally friendly) ▶ ISO14001 certification, Pursue Green Shop Pilot project
	• Businesses should encourage the development and diffusion of environmentally friendly technologies	▶ Standards of Ethical Conduct Chapter 6 Article 19 (Environmentally friendly) ▶ Operate shops dedicated to green products (Eco shop)
		▶ Standards of Ethical Conduct Chapter 4 Article 10 (Comply with the regulation)
Anti-corruption	• Businesses should work against corruption in all its forms, including extortion and bribery.	▶ Standards of Ethical Conduct Chapter 6 Article 17 (Sound business activities)



Social contribution direction and performance

Lotte Shopping is working to share the gift of giving with more people in our society by setting up key directions for social contribution activities and systematically putting them into practice.

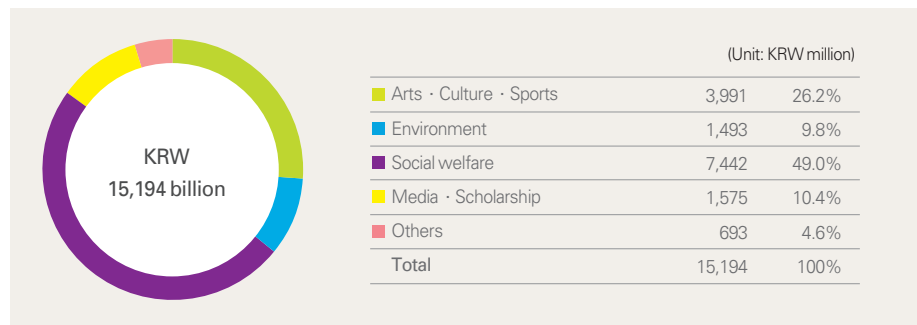
Lotte Shopping's social contribution direction

| Lotte Shopping's social contribution direction |

• Environmental management •	• Childbirth promotion •	• Local community/ global volunteering •
<ul style="list-style-type: none"> • Low carbon management system <ul style="list-style-type: none"> - Greenhouse gas inventory - Green store pilot project • CO₂-themed social contribution <ul style="list-style-type: none"> - Environment Ministry-linked Cool Look campaign - Energy Minus Love Plus campaign - Climate change prevention campaign 	<ul style="list-style-type: none"> • Childbirth promotion campaign <ul style="list-style-type: none"> - Eco-friendly childcare center - Invitational event for families with multiple children • Family-friendly management <ul style="list-style-type: none"> - Exemplary operation of childbirth/childcare system - Family-friendly program 	<ul style="list-style-type: none"> • Volunteering activities per store <ul style="list-style-type: none"> - Operation of volunteering clubs by all stores • Children/global-themed volunteering activities <ul style="list-style-type: none"> - We Start initiative - One-to-One overseas child sponsorship - Vietnam Lotte School

Social contribution performance

| Social contribution performance |





Childbirth promotion campaign

Low birthrate is emerging as a major factor in driving down national competitiveness. Korea's total birthrate in 2009 was 1.15 persons, down from the previous year's 1.19 persons, attesting to the seriousness of the problem. As Korea's leading retailer, Lotte Shopping shares this sense of crisis and initiated the childbirth promotion campaign to do its part in resolving the issue. We approach the campaign from two distinct perspectives; one to fulfill our corporate social responsibility and two as an investment for our future based on our belief that a low birthrate and decreasing population can hurt the sustainability of distribution and domestic demand-oriented industries.

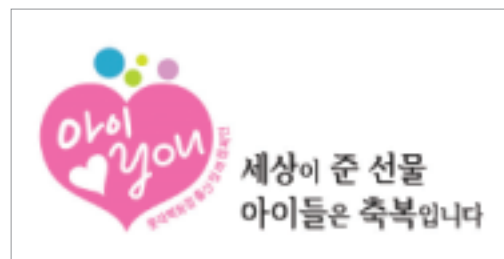
In particular, the campaign is expected to have a greater impact as the ratio of female employees and customers of Lotte Shopping exceeds the industry average due to its business characteristics.



- Lotte Department Store-Ministry of Health and Welfare joint campaign ad

Lotte Department Store and Ministry of Health and Welfare sign childbirth promotion agreement

In September 2009, Lotte Department Store became the industry first to sign an agreement to "create a childbirth-friendly world" with the Ministry of Health and Welfare to carry out joint projects to solve the problem of the low birthrate. Under the agreement, the two sides are conducting the following five joint projects.



- Childbirth promotion campaign logo

Five joint projects
① Strengthen childbirth-friendly programs
② Create family-friendly corporate culture
③ Expand facilities for expecting mothers and female-friendly facilities
④ Create childbirth/childcare support fund and put social contribution activities in practice
⑤ Promote childbirth-friendly social environment



- Event for families with multiple children

Invitational event for families with multiple children

As a part of our joint campaign to "create a childbirth-friendly world" with the Ministry of Health and Welfare, we invited families of multiple children to an autumn picnic held at Lotte World in November 2009. The event was aimed at creating a social environment that encourages childbirth and promoting the message that having many children is not only rewarding but also brings happiness. Some 900 people including the general public invited by the Ministry as well as Lotte Department Store employees who have multiple children attended this meaningful event.





Social contribution activities

Lotte Shopping is committed to wide ranging social contribution initiatives designed to grow and develop with our neighbors in need.

Energy Minus Love Plus campaign



- Volunteering to deliver briquettes of love, Lotte Department Store
- Volunteering to deliver briquettes of love, Lotte Mart

Lotte Shopping has been taking part in the “Energy Minus, Love Plus” campaign co-sponsored by the Ministry of Knowledge Economy and the Korea Energy Management Corporation (KEMCO) since May 2009. The campaign is aimed at helping low-income families stay warm during the winter months by conserving energy in the summertime.

Under the campaign, Lotte Department Stores and Lotte Marts across the nation reduce energy use during summer when electricity consumption peaks and give the saved amount of money to the energy fund to help low income households. Lotte Shopping is the only company from the distribution industry to take part in the program.

To provide heating in wintertime, 100,000 coal briquettes donated by Lotte Department Store were delivered to unfortunate neighbors. Our employees volunteered to personally deliver 20,000 briquettes to low income families.

For two months from July to August, 47 Lotte Mart stores carried out energy conservation activities and saved 6 million kWh more energy than the same period last year. The amount translates into savings of KRW600 million and 2,600 tons in CO₂. The achievement was instrumental in Lotte Mart earning the title of Best Energy Consumption Company in 2009 from KEMCO. Meanwhile, 180 employees from 10 regions across the country such as Seoul, Daejeon and Jeonju delivered 66,000 coal briquettes to neighbors in need and joined in efforts to spread the spirit of sharing.

Raising social contribution funds through matching grant

To conduct social contribution activities in a systematic and sustainable manner, Lotte Shopping created an internal volunteering fund and a social contribution fund steering committee. We introduced the matching grant program in which the company deducts amounts in units below KRW1,000 from employees’ wages and matches that amount to add to the fund.

Lotte Department Store uses the fund to improve housing of low-income households in our communities. From hanging wallpapers to laying laminated flooring, replacing boilers and repairing roofs, we are making a difference in their lives by creating better living conditions. Meanwhile, Lotte Mart has joined forces with the We Start movement to support underprivileged children. The We Start movement is a nonprofit civic initiative with a focus on “we” and inspiring all of us to give children in need a fair chance in life by supporting their education, health and welfare.



Mentoring that changes lives

Mentoring program

Since May 2010, Lotte Department Store has been actively involved in the Human Network project sponsored by the Ministry of Health and Welfare. The project is the ministry's key initiative aimed at helping our neighbors in need dream and map out a better future by providing guidance in character-building and emotional wellbeing. Lotte Department Store took part in the project as we share the program's mission that emphasizes the true spirit of giving through warm, human connections. As the first step, Lotte Shopping CEO who attended the "Human Network Council" in May 2010 volunteered to become the company's first mentor to a visually challenged youth who aspires to becoming a Korean classical musician. At the mentor-mentee matching ceremony, the CEO expressed his commitment to giving back to the community through mentoring. Going forward, Lotte Department Store will encourage its employees to become mentors to help children with school works and foster their inner wellbeing. The plan is to mobilize 34 stores and 60,000 employees nationwide and 30 local volunteering organizations to plant and nurture seeds of hope among neglected children in our communities.





Global social contribution

Going beyond Korea, Lotte Shopping is extending a helping hand across the world to fulfill its corporate social responsibility befitting the company's global status.

One-to-one overseas child sponsorship

Since 2009, Lotte Department Store employees have been extending help through the overseas child sponsorship program. Some 600 employees are sponsoring poverty-stricken children abroad and offering financial support to address their livelihood needs. Moreover, they act as mentors and get the chance to build a relationship with the sponsored children by exchanging letters and gifts and teaching them about the Korean culture and lifestyle. Lotte Department Store has also introduced the matching grant program to promote employees' voluntary giving. Under the program, the company matches an employee's monthly contribution of KRW15,000 to provide a total of KRW30,000 to each sponsored child. In 2010, 100 additional employees became sponsors to give children attending Lotte School in Vietnam and those from poverty-stricken countries a chance to cultivate hopes and dreams to reach their full potential.

Vietnam Lotte School

For 15 months from May 2008 to July 2009, Lotte Department Store renovated Son-Ki Middle School in the remote village of Son-Ki in Vietnam to build the first Vietnam Lotte School. The state-of-the-art school boasts 12 classes for 462 students as well as a dormitory and a cafeteria. VIP customers of the luxury Avenuel store also helped foot the renovation costs through charity auction proceeds and personal donations, making the project even more meaningful.

Lotte Department Store plans to build the second school in Tamdi Village near Hanoi in January 2011. Children of Tamdi have to travel far to other neighboring villages to attend school due to an inadequate educational environment compared to the number of students. With the construction of the second Lotte School in Vietnam, Lotte Department Store hopes to provide a comfortable learning environment to the country's underprivileged children and promote friendship between Korea and Vietnam.



• Vietnam Lotte School No.1





Project to support Korean War participant countries - Lotte Dream Center

2010 marks the 60th anniversary of the outbreak of the Korean War. Korea, which achieved an economic miracle from the rubbles of war, is no longer the recipient of foreign aid or support.

To commemorate the sacrifices made by participating countries of the Korean War, Lotte Department Store decided to build an educational facility for children called "Lotte Dream Center" in the mountainous region of Ginzi in Ethiopia. One of the poorest nations among the countries who fought in the war, Ethiopia sent more than 3,000 soldiers as a part of UN forces to Korea.

The center, to be built in a 470,000m² plot, will be comprised of at least three wings. The groundbreaking ceremony was held in June 2010 and the center is slated to open in May 2011 after completion of construction and student recruitment, the center will contribute in raising the educational level of young children in the remote region of Ethiopia.

Lotte South Africa Hope Expedition

Lotte Department Store kicked off the South Africa Hope Expedition in June 2010. The program is a social contribution initiative with a mission to bring dreams and hopes to deprived children in South Africa, the host of the 2010 World Cup, by building makeshift football fields and carrying out other volunteer works.

Lotte Department Store built two makeshift football fields in the impoverished area of Potchefstroom, 120 kilometers southwest from Johannesburg. After ground preparation and facility implementation were completed, the fields were reborn as a space where local children can nurture their love and passion for the beautiful game.

The expedition team comprised of 16 Lotte customers took part in the finishing work of football fields. The team members spent the most meaningful World Cup of their lives by partnering with the Korean Open Doctors Society to provide medical goods and conduct volunteer activities.



Together with local communities

Lotte Shopping is making a positive impact on the lives of our neighbors in need through employees' active giving and volunteering.

Giving back to local communities

Lotte Shopping partners up with various local social welfare foundations to organize charity bazaars and donate profits, in addition to carrying out relief works for isolated neighbors. In 2009, Lotte Shopping donated KRW10,975 million to help make our communities a better place.

Lotte Department Store Environmental Art Competition

Lotte Department Store holds the "Children's Environmental Art Competition" every spring to promote the importance of protecting our environment and to create a venue for family outdoor activities and education. 2009 marked the 30th anniversary of the competition. Stores in eight regions including the Seoul Metropolitan Area, Busan and others received entries from local residents. More than 10,000 children took part in the contest under the theme "Join us, Love the Environment!" The entire proceeds from the registration fee of KRW2,000 per person were used for the environmental fund.



- Grand prize winner of 2009 Children's Environmental Art Competition

Win-win pact with local communities

Lotte Shopping's individual stores nationwide are carrying out diverse activities to promote mutual benefits with communities where they are located such as boosting the local economy and creating jobs.

Local community development pact signing status

Store name	Region/Org.	Date	Pact name	Details
Lotte Department Gwangju	Gwangju	Aug. 2008	Win-win development of local distribution industry	Purchase local agricultural and industrial goods
Lotte Department Gwangbok	Jung-gu, Busan	Apr. 2008	Preferential hiring of Jung-gu residents and mutual cooperation	Create local jobs and boost the economy
Lotte Department Star City	Gwangjin-gu, Seoul	Oct. 2008	Preferential hiring of local residents	Create local jobs and boost the economy
Lotte Department Busan (4 stores)	Busan Transportation Corporation	Jan. 2010	Low carbon green growth and mutual joint development	Campaign to use mass transit, Improve subway convenience
Lotte Department Suwan	Gwangsan-gu Gwangju	Mar. 2010	Promoting consumption of local agricultural products	Opened a store offering local agricultural goods



• Cultural center

Cultural center

Lotte Shopping cultural centers are institutes for lifetime learning that help customers pursue self development and upgrade lifestyles by facilitating access to arts and culture within the local community. As a venue for learning and information sharing among members, Lotte Shopping cultural centers, which boast top lecturers, have wide ranging classes and the largest number of members in the industry. They serve as the epicenter for development of local arts and culture.

► Cultural center status

Seoul metropolitan area: 32 (Lotte Department Store: 14, Lotte Mart: 18) Other regions: 34 (Lotte Department Store: 12, Lotte Mart: 22)

Cultural center status

	Lotte Department Store			Lotte Mart		
	2007	2008	2009	2007	2008	2009
No. of cultural centers	24	25	25	28	34	39
Total no. of classes	39,790	41,860	46,944	26,912	47,030	53,592
Total no. of members (annual)	396,616	417,515	401,122	256,121	328,514	382,966

► Cultural center programs

Lotte Shopping cultural centers offer a variety of contents so that local residents can gain easy access to culture and leisure. From humanity lectures for adults given by leading scholars of our time to health and hobby classes for people in their 50s and 60s and children's classes during school vacations, cultural centers offer programs that satisfy all age groups.

Lotte Shopping is committed to developing classes that reflect ever changing trends in culture, social issues, fashion, education system and consumer demand to fulfill both pleasures and practicality of learning.

| Cultural center programs and activities |



- Green eco classes
- Organic products/ Making natural cosmetics
- Special lectures for 'Not Old Image' Groups
- S-line Social Dance for 50s, How to get younger looking skin without botox
- Ministry of Culture and Tourism-linked authors' reading event
- Authors Park Yi-Moon, Kim Myung-Gon, Moon In-Soo
- Parents Leadership Class
- Customized career path consulting for my kids, Finding precious jewels inside my kids



- Eco-Smile special lecture on the environment
- Making recycled toys
- Historic tour program
- Visit to history museum, Sunyoudo Park
- Book sharing campaign
- Donation of used books and money to low income families
- Onsite tour of food companies to promote food safety
- Tours of Haechandle, Lotte Ham factories

THINK SUSTAINABILITY
 THINK ECONOMY
 THINK CUSTOMER
 THINK ENVIRONMENT
 ● **THINK SOCIETY**
 GREAT WORKPLACE
 APPENDIX



- Lotte Department Store volunteer activities
- Lotte Mart volunteer activities



► Store volunteer groups

At all Lotte Department Stores and Lotte Marts, employees are taking the initiative to operate clubs dedicated to volunteering activities. Lotte Shopping is striving to make a difference in communities where we do our business through volunteering efforts. To encourage volunteerism, Lotte Shopping offers awards to best clubs by charting the membership numbers per club, registered/active members, volunteering works and promotion cases. For greater employee involvement, Lotte Shopping has implemented a system that awards points when participating in volunteering activities for more hours than the set amount of time.

Lotte Shopping volunteer club activities in 2009

	No. of clubs	No. of members	Total volunteer hours
Lotte Department Store	29	5,750	18,660
Lotte Mart	47	1,593	7,905

► Designated as volunteer activities certification center

In April 2006, Lotte Department Store was designated as a social welfare volunteer work certification center by the president of Korea National Council on Social Welfare (KNCWS). According to the social welfare volunteer works certification management regulations, Lotte Department Store is responsible for volunteer training management, establishment of a database system for certification and management of social welfare and volunteer works, and issuance of social volunteer work performance certificates for volunteers across the nation. The Nanum Jari (Place for Sharing) counselors at each Lotte Department Store have been appointed as certified personnel to perform related works.



Partnership management

Strong ties with partner firms are an essential element to achieve our vision of growing into a global distribution company. Lotte Shopping is dedicated to fulfilling its ethical and social responsibilities to partner firms, and is strengthening communication channels to ensure that partner firms understand and participate in our sustainability management practices.

Partner firm convention

Every year, Lotte Department Store invites representatives of partner firms to an event to express its gratitude and strengthen win-win relationships. In March 2010, 260 representatives were invited to attend the 2010 Lotte Department Store Convention. Plaques of Trust, Friendship, Hope and Gratitude were presented to 23 firms that displayed exemplary services. In addition, Lotte Department Store selected 30 model employees of the companies who face economic difficulties and awarded them with Lotte Share the Love scholarships worth totally KRW60 million. During the 2010 event, participants looked back on the past 30 years of growth with partner firms, shared Lotte Department Store's vision for the future, and reaffirmed their win-win partnership.

Win-win partnership hike

In May of 2009, Lotte Mart invited 250 employees from exemplary partner firms to a special "Win-win partnership hike." The head of the Product Division and Product Team, and CMD from Lotte Mart joined the employees for the event. Following the hike, participants listened to a presentation on Lotte Mart's support programs for partners like network loans and MPB products. Going forward, Lotte Mart plans to continue developing sustainable programs with partner firms to improve communication and strengthen win-win relationships.

Meeting with partner firm CEOs

Lotte Department Store maintains diverse channels of communication with partner firms to hear their opinions and incorporate them to make systematic improvements. The store invites the CEOs of partner firms for each product group to a biannual meeting to collect their opinions. The 2009 events, held in May and November, were attended by 100 CEOs. Participants voiced their

Opinions by partner firms

	2009 1st meeting	2009 2nd meeting	Examples of improvements
MD evaluation	35	32	Improved evaluation system
Marketing support	13	5	Jointly planned promotional events
Sales policy	9	9	Rationalized and minimized margin adjustment
Strengthened service	2	4	Included character building in employee education
Other	12	3	-



thoughts on improving the evaluation system, strengthening communication and information support, brand development and guaranteeing profitability. The opinions were then reflected on operational improvements.

► Partner firm satisfaction survey

Lotte Shopping conducts an annual satisfaction survey of partner firms to hear their opinions and resolve any problems. Lotte Mart and Lotte Department Store each conduct the surveys four and two times a year respectively. The survey covers Lotte Shopping's system regarding transaction ties, employee attitudes, and ethical transactions. Survey results are then analyzed and reflected on operations. To maintain fairness, anonymity is ensured for survey respondents. Additionally, if any ethical breaches are discovered through the survey, corrective steps are taken such as punitive measures against the relevant individuals and resolution of disadvantages against partner firms.

Partner firm financing/financial support

As part of our commitment to win-win partnerships, Lotte Shopping offers diverse support to partner firms so that they may continue to grow with us. In particular, various measures are in place to aid small to mid-sized enterprises (SMEs) deal with cash flow problems.

► Support for operating funds of SMEs – Damoa loan

In May 2009, Lotte Mart introduced Damoa loans which support SMEs build facilities and secure operating funds with a recommendation from Lotte Mart. It was the first program of its kind offered by a large discount store in Korea. Conventional loans by distribution companies have been difficult to secure for SMEs due to their strict requirements on collateral and guarantees. In contrast, Damoa is a loan requiring no security or guarantee, and SMEs can also receive loans at up to 2% discounted interest rates. Lotte Mart also regularly conducts surveys to gather opinions from partner firms on the financial support system to make further improvements.

Financial support extended by Lotte Mart

(Unit: KRW million)

Financial support system	2007	2008	2009	2010 (plan)
Purchase card (launched in 2002)	129,794	169,532	90,357	50,000
Network loan (launched in 2004)	39,692	16,765	4,603	5,000
Family loan (launched in 2007)	11,658	60,508	106,248	115,000
Damoan loan (launched in 2009)	-	-	10,292	11,000
Receivable-backed loans (launched in 2010)	-	-	-	100,000
Total	181,144	246,805	211,500	281,000

► Win-win cooperation fund for partner firms

Lotte Department Store created a KRW15 billion win-win partnership fund in June 2009 to provide short-term funds to partner firms. Among the 1,000 partner firms that regularly engage in business with Lotte Department Store, those with smaller revenues or those that can apply for credit guarantee insurance are given priority for loans from the fund. The maximum amount extended per company is KRW400 million while the average loan size is approximately KRW200 million. Contrary to previous practices in which partner firms were aided in obtaining loans from financial firms with Lotte credit, this loan comes from Lotte Department Store's own fund which was specially created to provide win-win support for partner firms.



Supporting exemplary SMEs

Lotte Shopping actively searches for and supports exemplary SMEs and expands local sourcing within areas where Lotte stores are located as part of our pledge to realize win-win management with partner firms.

MPB Lotterang

Lotte Mart became the first industry player to launch a manufacturing private brand (MPB) called Lotterang ("With Lotte"). The new concept brand promotes the support and growth of exemplary manufacturers by joining hands with SMEs and lending them Lotte Mart's trusted public reputation. MPB products feature the names of both the manufacturer and Lotte Mart. Lotte Mart offers manufacturers a diverse array of support, ranging from help for brand development, promotion and management, in addition to payment benefits and financial support. In this way, MPB offers SMEs a valuable chance to enhance their brand power.

Support for new designers and brands

Lotte Department Store supports small, emerging apparel makers by creating a multi brand store featuring their designs and products. This enables companies that have superior designs or skills but lack sales or distribution knowhow to create their own brand and supply goods to department stores. In addition, Lotte Department Store offers support for interior works or ads to boost their sales and management knowhow. For its part, Lotte Department Store is able to offer customers differentiated merchandise and quality products at prices that are 40~50% lower than existing brands.

Direct transactions with farmers and producers

Lotte Shopping signs strategic MOUs with producer groups and pursues direct transactions in addition to presenting regional specialties as part of its support for farmers, fishermen and livestock producers to secure a solid sales outlet.



- Lotterang logo
- Lotterang Seongju oriental melon



Direct transactions and regional specialty sales

(unit : KRW billion)

DIRECT TRANSACTIONS (WITH PRODUCERS)

Category	Main products	No. of items	2009	2010 plan
Fruits/vegetables	Apples, potatoes, etc.	115	192.8	200.9
Meat	Soonhan hanwoo, Soonbaek pork, etc.	13	80.8	85.5
Dried marine products	Yongdaegol dried pollack	3	7.7	8.1

REGIONAL SPECIALTIES

Category	Main products	No. of items	2009	2010 plan
Fruits/vegetables	Meokgol pear (Gyeonggi-do),	529	0.6	0.6
	Jeju strawberry (Jeju-do),			
	Jeonbuk eco-friendly agricultural goods (Jeollabuk-do) etc.			
Meat	Danpoong Mi-in hanwoo (Jeollabuk-do)	9	0.0013	0.03
Dried marine products	Hairtail, mackerel, tile fish (Jeju-do)	9	0.01	0.01

► MOU with Nonghyup and Suhyup

Lotte Mart signed a strategic MOU with Nonghyup or National Agricultural Cooperative Federation in April 2008 to receive supplies of high quality agricultural goods, pork and Nonghyup kimchi at economical prices. The number of items and value of goods brought in from Nonghyup has grown annually since first recording KRW77.4 billion in 2008. In February 2009, Lotte Mart signed an MOU with Suhyup or National Federation of Fisheries Cooperatives to receive marine products at rational prices. Lotte Mart is dedicated to expanding direct transactions with local producers and strengthening its portfolio of regional specialties for mutually beneficial growth with partner firms.

MOU transactions with Nonghyup and Suhyup

(Unit: KRW billion)

Counterpart	MOU date	Major items	Sales		
			2008	2009	Jan.~Mar. 2010
Nonghyup	Apr. 2, 2008	Apples, strawberries, sweet potatoes, chilis, pork (Soonbaek pork), packaged kimchi, etc.	77.4	101.9	30.1
Suhyup	May 27, 2009	Squid, frozen pollack, dried seaweed/kelp	-	2.8	1.7
Total			77.4	104.7	31.8

► Promotional events for regional products

Lotte Mart holds promotional events for exemplary regional companies to help them expand their sales outlets. In September, the 2nd Buy Jeonbuk event was held at the Guri and Junggye stores, while in December, Lotte Mart joined hands with the Small and Medium Business Administration of Jeollanam-do to organize a promotional event of best regional products at the Gwangju Cheomdan store.

Sales from promotional events for regional products

(Unit: KRW million)

Event	Period	Store	Sales
Buy Jeonbuk	Aug. 27~Sep. 2	Junggye	33
	Sep. 3~Sep. 9	Guri	22
Promotional event for best products of Jeollanam-do	Dec. 3~Dec.9	Cheomdan	23



Serving our co-workers

Over 50,000 co-workers (employees of vendors) work at customer contact points. To ensure that these co-workers relay Lotte Shopping's values to customers in a consistent manner, it is imperative to form close partnerships with the co-workers through continuous communication efforts. Lotte Shopping extends diverse forms of support to the co-workers such as education and welfare benefits so that they feel part of the Lotte Shopping family. Furthermore, various channels of communication are available for them to voice any problems or inconveniences that they feel at stores and receive feedback on their comments.

► Psychological counseling service

In an industry first, Lotte Shopping provided store visits by external professional counselors to provide counseling and stress management advice to co-workers. Additionally, certified counselors from Nanum Jari (Place for Sharing) at each store visit co-workers' rest areas to listen to any grievances and offer counseling.

► Legal counseling service

Lotte Department Store provides legal counseling services for civil, family and real estate issues over the phone or Internet.

► Training support

Lotte Shopping offers training support on work skills, culture, vision and values to nurture exemplary employees and promote their sense of belonging to the organization.

- Training to enhance competencies of new sales personnel: Conducted monthly, 12,500 persons per year
- Online training for sales personnel: Customer management, sales talk, etc, 4,400 persons per year
- Correspondence education for sales personnel: Sales skills, leadership abilities, etc. Started from August 2007
- On-site training using store service instructors: 30,000 persons per year



• Co-workers' day

► Open note

Co-workers may use an anonymous note system to submit any opinions or requests related to their work conditions. The notes can be dropped off in the 'open note' box located within their lounge for collection every month. Feedback is provided on the comments and improvements are made accordingly.

► Co-workers' day

At each store, one day of each month is designated 'Co-Workers' Day.' Managers prepare special events celebrating co-workers, such as birthday parties and special meals to promote their sense of belonging and communication with other colleagues.



Fair trade practices and training system

Complying with fair trade practices is a basic requisite to forging healthy partnerships with business affiliates. Lotte Shopping has related training programs and management system to enforce continued compliance with laws and regulations. Furthermore, partner firms' opinions and suggestions are often surveyed and reflected in our systems.

In 2001, Lotte Shopping set an industry precedent by publicly announcing its Fair Trade Compliance Program to internal and external stakeholders. Additionally, Lotte Department Store and Lotte Mart each have Fair Trade Compliance Departments directly under the Compliance Officer to oversee related training, inspections, interventions, briefings to the BOD and external announcements. Lotte Department Store mandates prior consultations with partner firms when planning joint sales promotional events, shop movements and interior works. As for major issues, a preliminary screening and in-depth legal review are carried out to prevent unfair or corrupt trade practices. As a result of these efforts, Lotte Department Store received the Fair Trade Commissioner's Award in 2005. During the reporting period of this report, the Fair Trade Commission did not observe any legal violations by Lotte Department Store. Furthermore, Lotte Department Store acquired an AA rating in the 2006 CP rating evaluations. Lotte Mart also ranked no.1 in the 2007 Distribution Win-Win Index jointly hosted by Maeil Economic Daily and Yonsei University.

※ CP: Compliance Program

CP rating evaluation

	Contents
Rating agency	Fair Trade Commission (outsourced to Korea Fair Competition Federation)
Rating period	July–October, 2006 (4 months)
Rating method	CP rating group (competition policy, law, accounting, and management experts) conducted a survey, interview assessment and on-site evaluation of companies that adopted CP
	① CEO's declaration of CP principles
	② Appointment of CP officer
	③ Establishment of internal inspection and reporting system for CP
Rating categories	④ Implementation of personnel reprimand system for violators
	⑤ Establishment of management system for related documents
	⑥ Preparation and distribution of CP handbook
	⑦ Operation of fair trade commission training system
Ratings	Totally 8 ratings (AAA, AA, A, BBB, BB, B, C, D)
Participating companies	Totally 60 companies (manufacturing, distribution, finance, etc.)

Fair trade compliance system

Every year, Lotte Department Store produces and distributes the 'CP Handbook' and 'Work Manual' to prevent fair trade violations. The CP Handbook contains various regulations like large scale retail notices, case studies, Q&A and interventions committee. The Work Manual includes guidance applicable to the conduct of daily business including the entrance and exit of tenant businesses, promotional events, interior works, labeling and advertising, and premium events. The handbook and manual are distributed to employees working in the sales or product divisions who are susceptible to violations. Furthermore, they are available to all employees through the homepage and company bulletin.

► 2009 prevention activities

- Distribution of CP Handbook (volume 8) and Work Manual
- Distribution of work guidelines related to labeling and advertising
- Launch of fair trade compliance campaign (distribution of posters, leaflets and PR activities)
- Fair trade CP mail notification and signing of compliance pledge by all employees

Training and evaluation system

All Lotte Shopping employees receive offline training in the form of new employee training, program to train in-house fair trade experts and invited lecturers from the Fair Trade Commission. In particular, employees from the sales and product head offices are required to complete a minimum 1-hour training course every quarter. Additionally, to evaluate employees' understanding of the Fair Trade Law and impact of the training programs, a Fair Trade Law test is conducted biannually.

System to collect fair trade opinions

Lotte Shopping conducts reviews of items that are particularly susceptible to fair trade violations due to the nature of the department store business. The reviews focus on unfair transactions during the adjustment of product groups as when tenant businesses enter or exit Lotte Department Stores or Lotte Marts, raising the sales-based margin during a contract period, forced participation in promotional events, etc. This provides more efficient surveillance and supervision of related matters to prevent partner firms and customers from incurring disadvantages. The reviews are conducted on a regular or need-be basis. When any violations are discovered, relevant employees face reprimands and measures are taken to resolve the damages incurred by partner firms.

► 2009 surveillance and supervisory activities

- Unfair labeling and advertising during bargain sale
- Store entrance and exit procedures and interior works during product group adjustments
- Forced participation in sales promotion and discount events
- Unfair changing of contract during contract period
- Engaging in operations other than original sales
- Levying of costs unrelated to sales promotions
- Unfair dispatching of co-workers



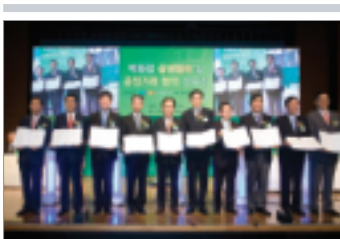
| Partner firm satisfaction survey |

- Survey subject : Suppliers (owners and employees)
- Survey areas : Satisfaction level of suppliers regarding system and fair transactions
- Survey method : Survey by personal interview (PI)

- System: Fairness of evaluation system and store allocation
- Employee: Professionalism and ethics of employees
- Fair trade: Coercive actions, compliance with standard trade agreement

Fair trade agreement ceremony

In a first for a distribution company, Lotte Department Store and Lotte Mart signed a fair trade agreement with the Fair Trade Commission and partner firms. The agreement was made as a show of commitment to continuing horizontal partnerships. Lotte Mart was joined by five large distribution companies and 150 major manufacturing firms in signing a mutual win-win cooperation agreement. Companies that implement the agreement in an exemplary manner are offered incentives such as exclusion from inspections and provision of bonuses.



- Ceremony to mark Lotte Mart's fair trade agreement



Contents of fair trade agreement

- Win-win partnership fund for partner firms: KRW15 billion
- Loan support for partner firm through financial institutions (Network loans etc): KRW200 billion
- Technical and education/training support: Nurturing emerging designers, joint development of brands
- Adherence to ethical regulations



Contents of fair trade agreement

- Support for SME funding (finances) (100% cash payment, network loans, etc)
- Building of SME product sales outlet (SME expo, promotional corner for goods by exemplary SMEs, etc.)
- Joint development of products (development of items with exemplary SMEs)
- Adherence to ethical regulations

Fair trade education course in conjunction with Seoul National University

In March 2010, Lotte Department Store conducted a fair trade expert education course in conjunction with Seoul National University Competition Law Center for the CEO, executives of the headquarters and managers of nationwide stores. Lecturers included Professor Kwon Oh-seung who heads the Competition Law Center and other distinguished experts. The course included a general overview of the Fair Trade Law, distribution industry regulations and case studies to increase participants' knowhow and competencies for strengthening win-win ties with partner firms.

Fair trade ombudsman

The Lotte Shopping ombudsman enables partner firms to voice unfair trade practices and Lotte Shopping to correct flawed relationships with partner firms. Through an anonymous online system, suppliers can submit complaints and grievances which are then investigated by Lotte Shopping and reflected in improvements.



GREAT Workplace



THINK SUSTAINABILITY
THINK ECONOMY
THINK CUSTOMER
THINK ENVIRONMENT
THINK SOCIETY

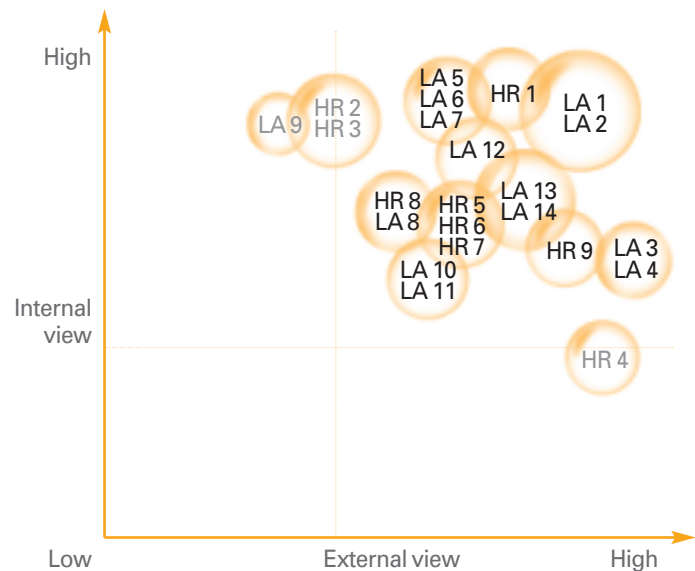
● GREAT WORKPLACE
APPENDIX



Disclosure of Management Approach

Trust and cooperation

Based on the belief that employees are a valuable asset and represent the company's future, Lotte Shopping fosters a corporate culture that promotes mutual trust and mutual growth. We are building a happy workplace by providing opportunities for competency development, fair evaluation and compensation, and benefits to realize work-life balance.



Performance

Performance indicators		Category		2007	2008	2009
HR3	Human rights training and employee benefits scheme	Training programs		Sexual harassment prevention training, grievance handling center, adherence to UNGC Principles, internal welfare campaign		
LA10	Training per employee	Training hours per person	Lotte Dept. Store	154 hrs	161 hrs	163 hrs
			Lotte Mart	104 hrs	107 hrs	110 hrs
			Lotte Dept. Store	53.4%	53.4%	54.6%
LA14	Learning and innovation	No. of employees who completed distribution professional training*	Lotte Mart	61.9%	63.2%	63.4%
			Distribution College	37	35	37
			Distribution Graduate School	21	20	23

*No. of employees who completed distribution professional training: Based on Lotte Dept. Store



Employees

Lotte Shopping does not impose restrictions based on gender or age when hiring new employees and provides equal employment opportunity to all candidates. As of the end of 2009, the total number of employees stood at 5,911 for Lotte Department Store and 9,114 for Lotte Mart. Regular employees as a percentage of the total workforce was 73.5% for Lotte Department Store and 38.8% for Lotte Mart. Female workers comprised more than 50% of total regular employees. While female employees represent a high proportion of store sales management staff, they account for 3.3% of managerial posts but this figure is on a rising trend.

Employee information

Employee information

(Unit: No. of persons)

	Lotte Department Store			Lotte Mart		
	2007	2008	2009	2007	2008	2009
Total employees	6,215	6,004	5,911	9,588	9,323	9,114
Regular employees	4,471	4,410	4,344	3,545	3,613	3,539
Non-regular employees	1,744	1,594	1,567	6,043	5,710	5,575
Resigned employees	318	224	208	478	482	312
Turnover rate (%)	0.6	0.4	0.4	1.2	1.1	0.7
New hires	158	143	131	1,136	697	260
Male	77	68	79	913	566	210
Female	81	75	52	223	131	50
Female employees (%)	53.4	53.4	54.6	61.9	63.2	63.4
Managerial positions	2.7	3.3	3.3	3.5	4.2	6.5
New hires	51.3	52.4	39.7	19.6	18.8	19.2
Disabled employees	152	154	159	197	188	177
Disabled employee ratio (%)	2.2	2.4	2.5	2.1	2.1	2.0

Resignations by age group (2009)

(Unit: No. of persons)

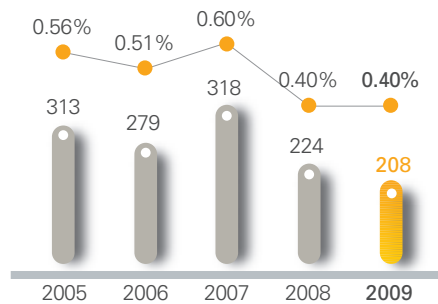
Department store	Male	Female
Under 30	9	46
30~50	75	62
Over 50	13	3
Total	97	111

Discount store	Male	Female
Under 30	149	61
30~50	87	21
Over 50	5	-
Total	241	82

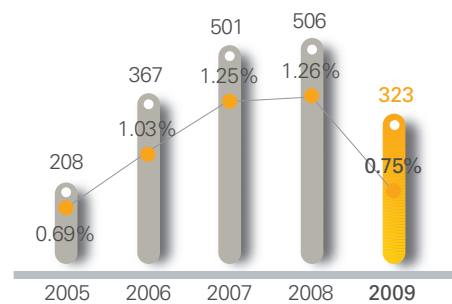
The disabled employee ratio exceeds the legal requirement which is 2% and Lotte Shopping has received awards in recognition of its active hiring of disabled persons ('True Company' Gold Award given by the Ministry of Labor and the Korea Employment Promotion Agency for the Disabled in September 2007, a citation for promoting the welfare of disabled persons given by the Gwangju City mayor in 2008). The average turnover rate for the past three years is below 1%. This figure is on a declining trend due to efforts to boost employee welfare and fair compensation based on performance.

| Resigned employees and turnover rate |

[Dept. store] (Unit: No. of persons)



[Discount store] (Unit: No. of persons)



● Resigned employees ● Avg. monthly turnover rate



Ideal employee and competency development

Attaining Lotte Shopping's vision of becoming a world-class distribution company requires human resources capable of powering the company's growth towards this vision. Accordingly, we have defined the attributes of an ideal employee, established processes for competency development, and adopted fair evaluation and compensation policies.

Attributes of ideal employee

To secure employees who can spearhead a global distribution company, Lotte Department Store and Lotte Mart define customer value, originality, innovation and passion as essential attributes of workers serving in the distribution industry.

| Ideal employee of Lotte Mart |



| Ideal employee of Lotte Department Store |



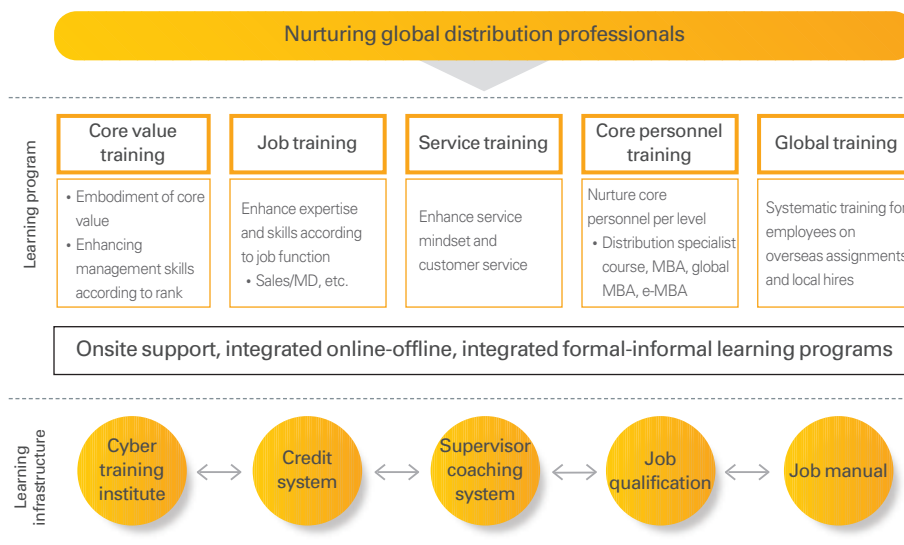
Competency-based structured interviews

Lotte Shopping uses structured evaluation criteria to hire people who meet the attributes of the company's ideal employee. Competency-based structured interviews are used to enhance objectivity of the interview process when recruiting new personnel and we have defined behavioral attributes required to achieve the organization's vision and performance. To check whether an individual possesses these attributes, we have developed structured questions and evaluation standards as well as an interview guidebook. Interviewers receive training on evaluation skills and conduct interviews based on objective criteria. These measures prevent an interviewer's subjective judgments from influencing the interview and ensure consistent evaluations. This, in turn, allows Lotte Shopping to hire people who are best suited for driving organizational growth and development.

Competency development training process

We implement a HR development program centered on competency-based learning to reach our goal of becoming a global distribution company. The program takes into account external factors such as globalization, change and innovation, and expertise, in addition to the attributes of the company's ideal employee. Training focuses on the three areas of common skills, leadership skills and job skills. The objective is to nurture employees who contribute to realizing the company's vision and values.

| Nurturing distribution professionals |



Personal development

► Credit system and e-Campus

Support for voluntary learning and personal development is important to foster creative employees. Lotte Department Store encourages workers to take the initiative in cultivating their skills through a credit accumulation system. Employees may develop skills necessary for their respective rank and job function through classroom training, book learning and cyber training. Meanwhile, e-Campus is a cyber training system that provides a wealth of knowledge and information as well as learning materials. Offering optimal learning programs and information to accommodate employees' learning needs, e-Campus is designed to promote year-round learning by combining training with actual work duties.

Training expenditure

	Lotte Department Store			Lotte Mart		
	2007	2008	2009	2007	2008	2009
Total training expenditure (KRW million)	3,200	3,826	4,125	2,030	2,362	2,601
Training expenditure per person (KRW1,000)	525	657	725	231	268	297
Total training hours	939,400	957,950	979,460	348,660	387,400	392,100
Training hours per person	154	161	163	104	107	110
Total no. of courses	690	716	720	422	475	533



Cyber training and book learning

	Lotte Department Store		Lotte Mart	
	Online training	Book learning	Online training	Book learning
No. of courses	293	317	371	133
No. of participants(persons)	17,479	7,587	2,200	1,418

Nurturing distribution professionals

► Distribution College and Distribution Graduate School

Lotte Department Store has a distribution professional training program comprising courses for employees of different ranks. Distribution Graduate School courses are available to Grade 2 employees while Distribution College courses are for Grade 3~4 employees. In 2009, 24 employees completed the graduate program while 37 employees concluded the college program. Boasting a 17-year tradition, Distribution College has produced 491 graduates as of 2009. Distribution Graduate School, which offers more in-depth studies to individuals who complete the college program, has produced 117 graduates. Distribution College offers basic business courses such as marketing, HR organization, and consumer behavior theory, in addition to practical training on distribution management, research, and overseas studies. The Distribution Graduate School curriculum includes lectures, discussions and overseas studies. Presentation of a research thesis is required for program completion.

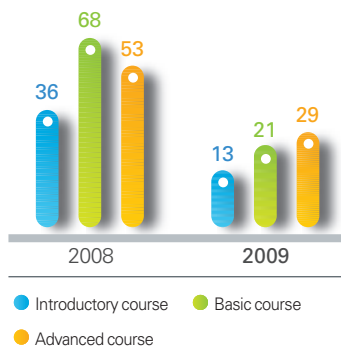
Distribution College and Distribution Graduate School graduates

(Unit: No. of persons)

Category	Program	2009 graduates	Total No. of graduates
Managers	Distribution Graduate School	24	117
Grade 3~4 employees	Distribution College	37	491

| PB Academy participants |

(Unit: No. of persons)



► PB (Private Brand) Academy

A key competency required by Lotte Mart is the ability to find good-quality merchandise and provide them to consumers at affordable prices. Lotte Mart has been honing merchandisers' job skills and PB development and sourcing ability since 2008 through the PB (Private Brand) Academy. The training courses cover global trends, negotiating ability, overseas sourcing, PB development and quality control. The courses are led by executives of major Korean manufacturing companies and university professors. Introductory, basic and advanced level courses can be taken depending on the merchandiser's work experience. PB Academy courses are helping Lotte Mart to discover and develop differentiated merchandise.



Lifelong learning

To satisfy employees' learning needs, Lotte Shopping offers a 4-year internal university program to holders of degrees from a 2-year junior college and a 2-year junior college program for 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. The 4-year business administration program has been jointly run with Kyung Hee University since 2006. Totally 66 individuals have completed the program and the current enrollment is 76. The cyber program with Seoul Digital University was launched in March 2009. As for the 2-year program, courses are offered jointly with Myongji College in Seoul, Kyungnam College University of Information & Technology in Busan, and Yeungjin College in Daegu. Available subjects include business administration, social welfare, Japanese, and fashion marketing. A total of 570 people have completed the 2-year program and current enrollment is 271.

Internal university program

	4-year program	2-year program
School	Kyung Hee University	Myongji College, Kyungnam College University of Information & Technology, Yeungjin College
Subjects	Business administration	Business administration, social welfare, Japanese, fashion marketing, etc.
Date launched	September 2006	March 2003
Current enrollment	76	271
No. of graduates	66	570

| Training by outside agencies |

• Fashion Institute of Kolon •

- Lotte MD Academy (Basic)
Fashion merchandising, brand launching, global sourcing, promotion, etc.
- Lotte MD Academy (Advanced)
Global fashion trends, materials, import & export practical skills, buying, production

• Institute of Industrial Studies, Chung-Ang University •

- Restaurant professional course
- Wine sommelier course
Food merchandiser training course

Specialized training programs

Lotte Department Store organizes training given by external agencies and lectures by outside experts to strengthen merchandisers' capabilities. These training sessions are led by executives of famous domestic and overseas brands, university professors, and practicing professionals.

Nurturing global employees

Lotte Shopping has been pursuing overseas store expansion starting with the opening of Lotte Plaza in Moscow in September 2007. Accordingly, we have been striving to foster employees with global competency.

► Overseas expert program

Lotte Shopping conducts specialized training to prepare employees for overseas assignments. The training consists of Global Lotte Expert Program (GLEP) and Global School, which are followed by the VRICs Study Group program. GLEP provides overall insight into the pertinent country so that employees can cultivate skills for management in a foreign culture. GLEP participants learn about local culture, labor laws and tax procedures. They also attend a 6-month intensive program to learn the local language and gain the skills to adjust to new surroundings. The VRICs Study Group program lasts for about six months and gives employees exposure to social and cultural aspects of the pertinent country. It also helps overseas employees form an interpersonal network. About one month before deployment, employees assigned to overseas posts are sent on business trips to the designated regions to help them adapt to local customs.



Performance and compensation

Decisions on employees' salary and rank are free of discrimination at Lotte Shopping. We maintain a fair performance evaluation process and compensation is based on performance.

Salary and rank

Lotte Shopping does not discriminate based on gender in determining salaries. Annual salary is virtually the same for male and female employees who hold comparable positions. Slight discrepancies exist due to differences in salary class and work experience.

Average salary according to rank (base=100)

(Unit: %)

	Manager	Asst. Manager	Staff below Asst. Manager
Male	100	100	100
Female	99.8	99.2	99.8

Performance-oriented compensation

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 his/her salary. In 2008, differential incentive pay was given to Grade 2 and higher employees in managerial posts to provide greater motivation to improve performance levels. The differential incentive pay scheme will apply to all employees from 2010.

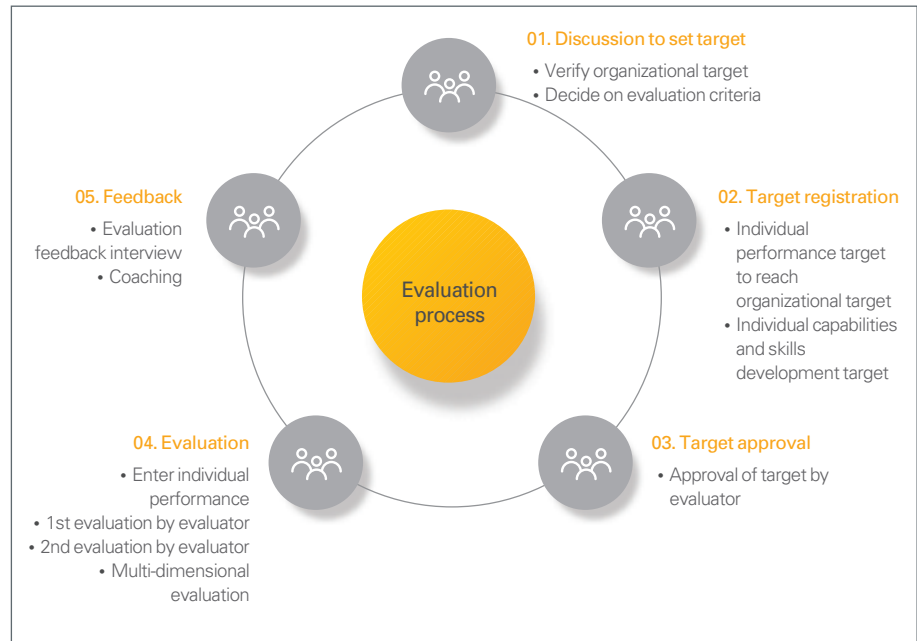
| Performance and compensation system |



Performance evaluation process

To ensure objectivity, evaluations are carried out based on targets and criteria agreed on with each individual. Compensations are set according to evaluations that reflect whether targets 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 targets and criteria are set for all employees which are in line with the company's performance targets.

| Performance evaluation process |



Employees' interests

Employees are one of the most valuable assets of Lotte Shopping. Respect for human rights, a safe and healthy work environment, open communication channels, and proper grievance handling procedures create a satisfying workplace and enhance the company's performance. In particular, Lotte Shopping promotes work-life balance through family-friendly management.

Equal opportunity and human rights

Lotte Shopping does not discriminate on the basis of gender, nationality, religion or social status and abides by the UN Global Compact principles on labor. Unreasonable discrimination factors do not influence personnel decisions such as promotions and job assignments, and regular monitoring is carried out to prevent complaints related to HR management. Restrictions are placed on night duties for workers who are pregnant or have given birth within the past 12 months, and the company guarantees a 90-day maternity leave.



• Lotte Department Store counselor
certificate awarding ceremony

Grievance handling

▶ Nanum Jari (Place for Sharing)

Lotte Department Store operates Nanum Jari to address employees' grievances. Designed to boost employee morale and enhance productivity, Nanum Jari advises employees through various channels such as face-to-face visits, telephone, Internet and e-mail. Nanum Jari of each store is manned by 32 individuals who are well respected and have strong counseling skills. They advise on matters such as the work environment, sexual harassment, employee treatment, conflict resolution, and etiquette. They also engage in activities such as rotational counseling to employees of different ranks, retirement consulting, in-house lectures and volunteering activities at least twice a month. Between 2001 and 2009, about 70,000 persons received advice through Nanum Jari. In addition, Nanum Jari monitors improvements in work processes and systems as well as welfare. An internal online counseling system was set up in November 2007.

▶ Happy Counseling Center

At Lotte Mart, the Happy Counseling Center allows employees to submit their grievances through diverse channels including telephone and email. The center provides advice on a wide range of issues to all employees and makes every effort to swiftly resolve work-related difficulties.

▶ Psychological Counseling Center

From July to December of 2008, Lotte Department Store invited professional counselors from an outside agency (the Korean Counselors' Association) to provide their services to employees once a week. Most of the employees who sought counseling were women (87.5%). By age group, 52.8% of those who received counseling were in their 30s. The most common issues discussed were family matters (35.6%), followed by personality (22.5%) and interpersonal relationships (9.7%). From 2009, Nanum Jari counselors have gained counseling certificates and advised employees of Lotte Shopping and vendors on issues such as family problems, depression and ways to relieve stress.

▶ Sexual harassment prevention training

Lotte Shopping conducts sexual harassment prevention training for all employees at least once a year to create a vibrant workplace where male and female employees work together with mutual respect. In 2009, the training was attended by 50,842 workers of Lotte Department Store (including headquarters and store staff) and 8,570 workers of Lotte Mart. The training conveys information on how to prevent and deal with sexual harassment and includes analysis of real life examples.



Creating a happy and healthy workplace

Lotte Shopping offers various support measures to create a satisfying and safe workplace for employees.

Employee benefits

Financial assistance for employees includes various loans and support for children's schooling expenses from kindergarten to university. Lotte Shopping also operates and offers financial assistance for condominiums and club activities. Employees who have to relocate to a store in another region are given funds for housing and moving expenses, along with transportation fees to visit their hometowns. In addition to casualty insurance offering payment of up to KRW200 million to protect employees and their families from accidents and illness, employees are entitled to support for medical expenses and physical check-ups.

We also emphasize safety training in the workplace to minimize the number of accidents on the job. Recently, we stepped up cooperation with outside agencies to extend benefits in more diverse areas such as pensions, medicine and real estate.

Assistance for retirees

Lotte Shopping sets aside reserves every month for severance payments. Severance pay is determined by multiplying an individual's average pay and the number of years of employment. The average pay is calculated based on the average basic pay of three months and average bonus of twelve months. The funds for severance pay are managed by an outside agency via a retirement insurance plan. We are currently reviewing plans to introduce a corporate pension plan. 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.

► Outplacement

An outplacement program was introduced in 2008 to provide systematic support to retirees. Services available include consulting and training to help retirees find new jobs or start their own business, professional counseling, and wealth management advice.



2010 healthy workplace campaign

Lotte Mart launched a healthy workplace campaign to enhance employees' physical wellbeing. Programs like the medical benefit mall, exercise benefit mall and smoking cessation fund are boosting employees' satisfaction and wellbeing.

► Medical benefit mall

Introduced in March 2010, the Lotte Mart medical benefit mall allows employees and their direct family members to access medical information from authorized medical organizations and receive 10~30% discounts on medical fees not covered by insurance.

► Exercise benefit mall

This program was launched in March 2010 to promote good health through sports like golf, swimming, weight training, yoga, and squash. Employees and their direct family members may use some 40 sports facilities after registering as members.

► Cultural gatherings

In March 2010, Lotte Mart introduced a scheme to substitute dinner and drinking socials with cultural and sports events. Employees may go watch movies and theater productions, watch sports games, or take part in sports. The company provides KRW10,000 per employee twice a year for cultural gatherings.

► Smoking cessation fund

Lotte Mart has been carrying out a smoking cessation campaign since 2006 and launched a smoking cessation fund in April 2010 to encourage employees to quit smoking. Since 2006, a survey is taken once a year to check the smoking rate among assistant managers and higher ranked staff. Smoking cessation is noted in performance evaluations and promotions, which has lowered the smoking rate among managerial staff from 72% in 2006 to 25% as of the end of 2009.



Work-life balance

Lotte Shopping implements family-friendly management so that employees can achieve a balance between work and their personal lives. Programs such as support for expecting mothers and childcare, lifestyle assistance, and Family Day are helping to increase employee satisfaction and work efficiency.



• Family-friendly company logo

Family-friendly company certification

Lotte Department Store was certified as a family-friendly company by the Ministry of Health and Welfare in 2009. This certification is given to companies that practice family-friendly management and have programs that help workers balance their work and family responsibilities. Certification is given based on document review and onsite inspection.

Family-friendly programs

► Family anniversary holiday

Employees are encouraged to take a holiday for special family occasions such as their spouse's birthday and children's graduation. Gifts are distributed for holidays taken for a registered anniversary. Additional funds are provided when employees use the company condominium during the holiday. These measures are intended to encourage workers to spend more leisure time with their families.

► Family Day

Lotte Mart designates the third Friday of each month as Family Day. On Family Day, employees can leave work an hour earlier than usual so they can spend quality time with their families. Family Day was instituted to promote a family-friendly society amid the increase in double-income families and longer working hours. The purpose is to reinforce family ties and resolve the low childbirth rate.

► Lifestyle assistance

Employees may conveniently use various services related to family life through the company. Assistance available includes supplies needed for special family occasions, free legal counsel, and discount on real estate broker fees and moving services.

► Weekend farm

The Lotte Department Store weekend farm was introduced in April 2010. It gives employees a chance to spend weekends with their families enjoying firsthand experience with farming. Plots were designated to 50 employees each on two weekend farms in the Seoul metropolitan area.



Childbirth promotion

Lotte Department Store is taking steps to increase childbirth to resolve the social problem of Korea's low birthrate. Increased benefits related to childbirth and childcare for employees (including vendors' employees) are easing the burden of raising children. Considering the high female representation of the workforce in the service industry, improvements are being made to help working mothers meet their responsibilities to their children as well as work commitments.

Childbirth and childcare benefits

Category	Sub-category	Details
Childbirth		
Congratulatory pay	Congratulatory pay for birth of a child	<ul style="list-style-type: none"> Congratulatory pay given to employees upon childbirth : KRW100,000 and 3-day holiday regardless of rank 3-month (90-day) holiday before/after childbirth <ul style="list-style-type: none"> → 45-day holiday immediately after childbirth guaranteed by law
Maternity leave	Holiday related to childbirth	<ul style="list-style-type: none"> Salary paid during the leave <ul style="list-style-type: none"> → 60 days: Normal salary (excluding overtime allowance) → 30 days: Subsidy from the government's job center
Childcare		
Support for schooling fees	Support for schooling fees of employees' children	<ul style="list-style-type: none"> Kindergarten, middle and high school, university (excluding elementary school) For up to 3 children, covers actual educational cost
Medical fee assistance	Medical fee assistance for employees and their families	<ul style="list-style-type: none"> For spouse and children registered in an employee's medical insurance card Support provided: KRW5 million ~ 10 million (per year) according to years of employment
Family allowance	Family allowance included in employees' salary	<ul style="list-style-type: none"> Offered to employees of Grade 3 or below KRW10,000 per child (up to 2 children, totally KRW20,000)
Childcare leave	Holiday related to childcare	<ul style="list-style-type: none"> Offered to female employees with children under the age of 3 Maximum 1-year leave per child (leave can be divided up) Subsidy from the government's job center provided during leave (KRW500,000 per month)
Other		
Gifts for employees	Children's day gift	Offered to all employees of Lotte Shopping and vendors
	Year-end gift	Distributed twice a year (Children's Day, year-end)



• Lotte Department Store's childcare center #1

Location	No. 32-10, Jae - dong, Jongno - gu, Seoul
Area	Floors 1 and 2, 354 m ²
Facilities	5 childcare rooms, 2 playrooms, 4 bathrooms, kitchen, director's office
Eligible users	Employees of Lotte Department Store and vendors

► Lotte Department Store's eco-friendly childcare center

As a way of promoting childbirth, Lotte Department Store is setting up childcare centers for its workers. In March 2010, the first childcare center opened its doors in Jongno-gu, Seoul. The facility is available to all employees and co-workers (vendors' employees). The center is tailored to the needs of department store staff; given the opening hours of department stores, the center operates extended hours and on holidays and provides free dinners.

The company provides financial support so employees pay fees lower than those charged by conventional childcare centers and a shuttle bus service is available for employees' convenience. Eco-friendly materials and products were used for furnishings, learning materials and toys.



Open management based on communication

Communication is valued at Lotte Shopping and efforts are made to facilitate smooth communication among employees. We encourage employees to freely suggest their views and ideas and maintain various processes so that their opinions are incorporated in how business is conducted.

| Dialogue with the CEO |

- Measures taken in response to suggestions in 2009
- Set up a common fitting room in the children's corner
- Added receipt re-issuance function in PDA
- Opened Lotte Department Store's first childcare center
- Implemented various policies to benefit co-workers (vendors' employees)



• Dialogue with the CEO

► Groupware/Instant Messaging

We launched a groupware system and instant messaging service in 2006 that enable real-time postings related to work for all employees. The system supports postings of condolence/congratulatory messages, online clubs and communities, and information sharing for greater employee convenience. The instant messaging service facilitates communication among employees for enhanced cooperation between divisions.

► Dialogue with the CEO

Dialogue with the CEO has been held since 2008. The Lotte Shopping CEO visits stores to hold the dialogue sessions. These sessions are organized to let store employees express various difficulties and grievances they face and find ways to resolve these issues.

Along with difficulties and grievances, employees have expressed their views on marketing strategies suited to individual stores and the future direction of department store operations. Information gained from the dialogue is conveyed to store managers as well as related departments at the headquarters. The pertinent departments provide feedback and are required to report on measures taken to address issues raised during the dialogue.

► Face to Face campaign

Store staff and managerial staff working at the same store can sometimes encounter communication problems. Lotte Mart has a program to improve dialogue and relations between the two groups. The first Sunday of every month is designated 'Face to Face Day' at all Lotte Mart stores. On this day, managerial staffs work on-site to gain a first-hand experience of the situations facing employees and promptly resolve any problems. Additionally, store managers personally serve lunch to staff to enable a different, more informal type of exchange. The Face to Face campaign sets the stage for mutual exchanges that boosts unity, sense of ownership and camaraderie among employees.

► Cheering at Lotte Giants games

Employees' families were invited to cheer on the Lotte Giants baseball team at three games.

► Event for employees' children

340 children of employees were invited to a company visit, movie screening and lunch.



| Lotte Shopping's labor union |

Eligible union members	Lotte Dept. Store: 2,757 persons Lotte Mart: 1,083 persons
Union members	Lotte Dept. Store: 1,738 persons Lotte Mart: 742 persons
Full-time union personnel	Lotte Dept. Store: 10 persons Lotte Mart: 4 persons officials
Affiliated group	Federation of Korean Trade Unions, Federation of Korea United Worker's Unions

※ Open Shop (voluntary joining for Grade 4 and below employees, automatic withdrawal for Grade 3 and higher)



• Lotte Mart declares labor-management harmony

Labor-management relations based on respect and trust

The workers and management of Lotte Shopping uphold a shared philosophy and commitment to promoting trust and dialogue, mutual respect and autonomy, and engagement and cooperation. The two sides discuss and address labor issues through the collective bargaining held every other year or the monthly or quarterly labor-management council meetings. Employees are updated on company matters during labor-management workshops which are held 1~2 times a year. Every year, a joint labor-management delegation is sent on an overseas training mission to learn about best practices of prominent overseas companies and how they can be applied at Lotte Shopping. These efforts have allowed Lotte Shopping to stay free of labor conflicts and be recognized for excellence in leading a new labor-management culture. We firmly believe that labor-management relations of mutual prosperity serve as the basis for development of the company.

▶ 2009 declaration of labor-management harmony

The declaration of labor-management harmony was made in April 2009. The two sides agreed to build cooperative relations, promote a new culture of mutual prosperity, and pursue labor-management harmony to overcome crisis.

▶ Labor-management overseas training

A joint labor-management overseas training session was conducted in February 2010 to enhance mutual cooperation and survey Lotte Mart's overseas operations. The participants visited Makro stores in Jakarta and Bali in Indonesia acquired by Lotte Mart as well as local shopping malls. The event served as an opportunity to increase pride in Lotte Mart and allow labor and management to share the company's vision.



Third party assurance

To the Management and the Stakeholders of Lotte Shopping

Lotte Shopping (hereinafter called "LOTTE") Sustainability Report 2010 (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 by the management of LOTTE to conduct an independent third-party review of the full Report. The objective of this review is to externally assure that statements and data presented in The Report are free of material misstatements and based on thorough data collection systems.

Assurance Methodology

The Auditor's assurance work has been planned and performed in accordance with internal guidelines that go beyond leading international assurance standards. The Report and Report contents have been evaluated against the following criteria:

- Responsiveness
- Materiality
- Reliability

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).

Scope of this assurance engagement

The Auditor's assurance engagement covers and 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:

- Reviewed a selection of external media reports
- Review of the current sustainability issues that could affect LOTTE's business and are of interest to LOTTE's stakeholders
- Reviewed LOTTE's processes for determining material issues to be included in The Report
- Performed a peer review of global sustainability reports to benchmark disclosure levels
- Reviewed selected group-level documents relating to safety, social, ethical and environmental aspects of LOTTE's performance, to test the coverage of topics within The Report against stakeholder information needs.
- Conducted interviews with senior managers of LOTTE
- Reviewed relevant policies, guidelines and management systems at store and corporate level
- Reviewed LOTTE approach to data collection and data management at corporate and site level
- Reviewed internal performance documentation of non-financial data presented in The Report
- Conducted LOTTE headquarter visits, interviewing high level management and operational managers for relevant business units
- Reviewed environmental, health and safety related processes at site and corporate level
- Reviewed store data collection and management systems at site level and verified sample data to test whether non-financial data have been collected, consolidated and reported appropriately at corporate level and the locations visited.

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. Our review of these data processes at operations level was limited to the LOTTE-operated businesses visited.

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"

Materiality

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

- We consider that the information contained in The Report covers the most relevant aspects of LOTTE's sustainability management and performance according to LOTTE's business and operations.
- 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"

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.

Responsiveness

How does The Report respond to stakeholder concerns and information needs? Does The Report fully reflect LOTTE's operations and external impacts?

- We have reviewed internal and external stakeholder-related information and consider that the information presented in The Report responds to most stakeholder information needs and requests

Issued for further consideration by the management of LOTTE

- The Auditor recommends that LOTTE keeps refining and developing its sustainability management systems and structure across all operations, particular in light of planned overseas expansion.
- Defines long-term sustainability key performance indicators and targets on corporate level

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.



A handwritten signature in dark ink, appearing to read 'A. Gebhardt'.

Aug. 10, 2010

Andy Gebhardt

Director, SolAbility Co., Ltd.

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

GRI Index

● : disclosed in the report ● : partially disclosed in the report ○ : not disclosed in the report N/A : Not available

G3 item number	Content	Page	Reporting level	Remarks
Strategy & Profile				
PROFILE				
1.1	Declaration issued by CEO about reporting structure, strategy, and sustainability	2, 3	●	
1.2	Key impact, risk, description on opportunities	16, 17	●	
ORGANIZATIONAL PROFILE				
2.1	Organization title	4	●	
2.2	Representative brand, product and/or service	4	●	
2.3	Organizational operation structure	4	●	
2.4	Head office/center location	4	●	
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	24	●	
2.6	Features of ownership structure and legal form	11	●	
2.7	Activity market form	4	●	
2.8	Size of reporting structure	4	●	
2.9	Key changes of size, structure, and ownership structure in reporting period	11	●	
2.10	List of awards in reporting period	18, 19	●	
REPORTING PARAMETER				
3.1	Reporting period	1	●	
3.2	Publication date of recent report	1	●	
3.3	Reporting period	1	●	
3.4	Report and contact info of report's content	1	●	
3.5	Processes for report's content definition and decision	6, 7, 8	●	
3.6	Reporting coverage	1	●	
3.7	Concrete limited items about Reporting coverage and boundary	1	●	
3.8	Reporting standards affecting comparison possibilities in periods and/or groups such as joint-venture company, subsidiary, contract firm, etc	1	●	
3.9	Standards of data measurement method and calculation including techs and assumption supporting predictions applied in the process of information collection such as achievement index, etc	1	●	
3.10	Reengineering results and reasons of information proposed in the previous reports	1	○	
3.11	Updated items of coverage, boundary, measurement method compared with previous reports	1	●	
3.12	Chart showing locations of public notices in the report	110	●	
3.13	Policy and current habitual about outside assurance of the report	108	●	
CORPORATE GOVERNANCE, COMMITTEE, PARTICIPATION				
4.1	Organizational ownership structure	11, 12	●	
4.2	Describe if chair of board of directors keeps the position of the executive together, describe management role and reason for assignment of chair if applicable	11	●	
4.3	In case of unified structure in board of directors, the number of independent members or non-executive members	11	●	
4.4	Mechanism proposing advice or direction to board of directors by shareholders and employees	12	●	
4.5	Relationship between organizational achievements and incentives for members of board of directors, high-level managers, executives	12	●	
4.6	Process of conflict prevention for interests inside board of directors	11	●	
4.7	Process deciding expertise and quality of board of directors to support organizational strategy for economy, environment, and society	-	○	
4.8	Statements, codes of conduct, and principles about mission and core value \ developed internally related to economic, environmental, social achievements and activities	21, 35, 51 73, 93	●	
4.9	Steps for management and understanding of economic, environmental, and social achievements of board of directors	-	○	
4.10	Process of self-evaluation of achievements for board of directors	-	○	
4.11	Prevention approaches or adoption of principles and adoption methods	16, 17	●	
4.12	Economic, environmental, social consitions developed outside with support/join of organization, principles, or other initiatives	74	●	
4.13	Major membership qualification of associations and domestic/overseas organizations	-	○	
4.14	List of stakeholders' attendance	7, 9	●	

● APPENDIX

● : disclosed in the report ● : partially disclosed in the report ○ : not disclosed in the report N/A : Not available				
G3 item number	Content	Page	Reporting level	Remarks
4.15	Recognition of stakeholders' attendance and selection criteria	7, 8	●	
4.16	Formation, attendance type of stakeholders including attendance rate of stakeholders in groups	10	●	
4.17	Main topics and interests suggested by stakeholders and countermeasures	9, 10	●	Management approach and achievement index
Management approach and achievement index				
ECONOMY				
EC1	Direct economic value creation and distribution	22, 23	●	
EC2	Financial effect for climate change and opportunities and risks about business activities	17	●	
EC3	Organizational incentive coverage for pension benefit plan	102	●	
EC4	Beneficial records of government subsidy	-	N/A	Not available
EC5	Wage rate of entry-level employee to consitional minimum wage of on-site major business unit	-	○	
EC6	On-site purchase policy of major business unit, habitual and rate	86, 87	○	
EC7	Local employment process of major business unit and rate of high-level managers	27	●	
EC8	Infrastructure investment and service support activities and effects for public interests	75, 81, 82	○	
ENVIRONMENT				
EN1	The amount of raw materials used for weight or volume standards	-	N/A	No direct use of material due to the nature of distribution business
EN2	Rate of recycling among raw materials used	-	N/A	No direct use of material due to the nature of distribution business
EN3	Amount of direct energy consumption for primary energies	55~57	●	
EN4	Amount of indirect energy consumption for primary energies	55~57	●	
EN5	Total energy amount saved by saving and efficiency improvement	55~57	●	
EN6	Energy reduction rate as the results of these initiatives	58~59	●	
EN7	Initiative and achievement to reduce indirect energy consumption	55~57	●	
EN8	Total water intake for each supplier	60	●	
EN10	Total amount and rate of water reused and recycled	60	●	
EN11	Possession, renting, managed ground location and size in eco system protection area or near region	-	N/A	No relevant case study
EN12	Key impacts caused by products, services, corporate activities near eco system regions	-	N/A	No relevant case study
EN16	Total emission amount of direct/indirect greenhouse gas	57	●	
EN17	Emission amount of other indirect greenhouse gas	57	●	
EN19	Emission amount of destructive material of ozone layer	57	●	
EN20	Emission amount of major air pollution materials like NOx, SOx, and others	-	N/A	Relevant for exemption of air pollution substance control by the use of LNG
EN21	Total amount of waste water and water quality for final discharge sources	-	○	
EN22	Discharged amount of waste material for formation and process methods	61	●	
EN23	Discharge rate and amount of critical contaminated materials	-	N/A	Regulation compliance, No relevant case study
EN26	Initiatives for reducing the environmental effects of products and services, degree of impact reduction	62, 64	●	
EN27	Recycling rate of sold products and packing materials for product categories	62	●	
EN28	Penalty charged for violation of environmental regulations and non-expense restrictions	-	N/A	No relevant case study

GRI Index

<p>● : disclosed in the report ① : partially disclosed in the report ○ : not disclosed in the report N/A : Not available</p>				
G3 item number	Content	Page	Reporting level	Remarks
SOCIETY: LABOR AND HABITUAL				
LA1	Employment type, employment contract and regional HR status	94	●	
LA2	Transfer rate and amount for age, gender, region	94	●	
LA4	Employee ratio for adopting collective negotiation	107	●	
LA5	Minimum notice period about key updates of organizational management, objection statement about collective agreement	107	①	
LA7	Regional occurrence of Injury, occupational disease, missed workdays, absence, and occupational accidents	-	①	
LA8	Education, training, counseling, prevention and risk management program to support employees, families, local communities about critical diseases	101, 103	①	
LA10	Annual education time period for per position-based employee	96	●	
LA11	Continuing education program to support technical management and continuing employment availability and help retirement management	98	●	
LA12	Employee ratio for periodic evaluation about achievement and career development	99	●	
LA13	Governance organization's structure and employment size for gender, age, small group membership, other diversity related index	94	●	
LA14	Basic wage ratio in male/female employees in employment categories	94	●	
SOCIETY: HUMAN RIGHTS				
HR1	The amount and rate of key investment agreement for human rights article or human rights inspection	-	○	
HR2	Ratio of human rights inspection for major suppliers and contract firms	-	○	
HR4	Car accidents and related handling for total automobiles	-	○	
HR5	Management to support relevant rights and business units estimated for potential violation of freedom of associations and collective negotiations	107	●	
HR6	Management to eradicate child labor and business units with high risk of child labor occurrence	74	①	
HR7	Management to eradicate forced labor and business units with high risk of forced labor occurrence	74	①	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	-	○	
SOCIETY: SOCIETY				
SO1	Program's feature, coverage, and effectiveness for evaluation and management for impact on local communities in the level of start, operation, and end of business activities	81~83	①	
SO2	The amount and rate of business units analyzed for corruption risk	89~91	①	
SO3	Employee ratio of education for anti-corruption policy and process	89~91	●	
SO4	Management for corruption accidents	14	●	
SO5	Position for public policy, setup of public policy and attendance to lobbying	-	○	
SO8	Penalty and non-expense restrictions charged for violation of law and regulations	-	○	
SOCIETY: PRODUCT GUARANTEES				
PR1	Customer's health and safety impact evaluation process during the use of products and services for improvement, ratio of major products and services with relevant evaluation	45~47	①	
PR3	Information type of products and services with process-based request, ratio of major products and services applicable to such information requirements	48~49	①	
PR5	Customer satisfaction related activities including results of customer satisfaction survey	37, 38	●	
PR6	Restrictions, standards, and self-motivated principle compliance program related to marketing communication such as advertisement, promotion, and sponsorship, etc.	89~91	●	
PR9	The amount of penalty for violation of law and regulation about supply and use of products and services	-	N/A	

Lotte Shopping 2010 Sustainability Report Reader Survey

Thank you for your interest in Lotte Shopping 2010 Sustainability Report.
Please take a moment to fill out this reader survey. Your feedback will be reflected in future reports as part of our efforts to improve the quality and integrity of report contents.

- Address: 17th fl. Lotte Shopping Center Building, #1 Sogong-dong, Jung-gu, Seoul 100-721, Korea
- Contact: Corporate Social Responsibility, Management Planning Team, Lotte Department Store
- Fax: 82-2-2118-2280
- Email: aoui@lotteshopping.com

1. To which of the following reader groups do you belong?

- ☐ Customer
- ☐ Employee
- ☐ Shareholder
- ☐ Investor
- ☐ Partner firm
- ☐ Industry
- ☐ Government
- ☐ Community
- ☐ NGO
- ☐ Media
- ☐ Academia
- ☐ Other ()

2. How helpful was this report in enhancing your understanding of Lotte Shopping's sustainability activities?

- ☐ Very helpful
- ☐ Helpful
- ☐ Average
- ☐ Not very helpful
- ☐ Not helpful at all

3. What information did you wish to see in this report?

- ☐ Company overview
- ☐ Business strategy
- ☐ Investor information
- ☐ Customer service
- ☐ Information regarding employees
- ☐ Social contributions
- ☐ Environmental management
- ☐ Other ()

4. What is your opinion on the level of information provided in each part?

	Very helpful	Helpful	Average	Not very helpful	Not helpful at all
Think Sustainability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Think Economy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Think Customer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Think Environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Think Society	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Great Workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. What issues would you like to see addressed in future reports?

6. Please provide your overall opinion or suggestions on Lotte Shopping's sustainability management.

Thank you for participating in this survey.



Contact us

Corporate Social Responsibility,
Management Planning Team,
Planning Division, Lotte Department Store

- Address : 17 fl. Lotte Shopping Center Building,
#1 Sogong-dong, Jung-gu, Seoul, Korea
- Tel : 82 - 2 - 2118 - 2030 ~ 3
- Fax : 82 - 2 - 2118 - 2280
- email : aoui@lotteshopping.com

Management Planning Team,
Planning Division,
Lotte Mart

- Address : 40 -1 Jamsil-dong, Songpa-gu,
Seoul, Korea
- Tel : 82 - 2 - 411 - 8510 ~ 1
- Fax : 82 - 2 - 411 - 8998
- email : dlsdnd1107@lottemart.com



1, Sogong-dong, Joong-gu, Seoul, 100-721 Korea

Tel 82-2-771-2500



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