

LOTTE SHOPPING

LOTTE SHOPPING
sustainability report
2015

Think
Tomorrow

LOTTE SHOPPING

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Marketing Division at Lotte Department Store

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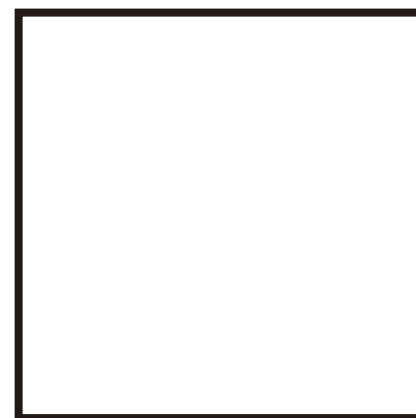
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Lovely life



Lovely life



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Think higher value



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Think bigger satisfaction

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ABOUT THIS REPORT

1. Application of GRI G4.0 Guideline

2015 Lotte Shopping Sustainability Report was prepared in pursuant to Sustainability Reporting Guidelines by Global Reporting Initiative (GRI G4.0) and complied with its requirements. This report amplifies on GRI G4.0 profile disclosures and management approach for each indicator category and GRI G4.0 key performance indicators based on the principle of materiality.

2. Scope of Report

This covers Lotte Shopping's four business divisions (Lotte Department Store, Lotte Mart, Lotte Super, and Lotte Cinema). In addition, its corporate overview and financial results are based on summarized financial statements of the four divisions.

3. Reporting Period

2014 Lotte Shopping Sustainability Report's period is from January 1 2014 to December 31, 2014. If necessary, based on the going concern principle, the report includes partial coverage of sustainability management activities in the first half of 2015. For quantitative performance data, it is presented with the most recent three years' data in order to achieve trend analysis.

4. Report Verification

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

The Dow Jones Sustainability Indices were developed by RobecoSAM, the Switzerland Company committed to the Sustainability assessment and Investment along with Dow Jones & Company, the US-based Financial News & Information Corporation. Lotte Shopping was selected DJSI WORLD from 2009 to 2015 and was acknowledged globally for its outstanding performance of sustainability dedication; in addition, it was appointed as the Retail Industry Group Leader (Distribution Sector Global Number 1) for four consecutive years from 2010 to 2015. Henceforth, we will continue our dedication in communicating with our stakeholders incorporated with the comprehensive CSV management system and fulfilling our corporate social responsibility.

Additional Information

For inquiries and more information, please contact the following.

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Lotte Mart www.lottemart.com

Lotte Super www.lottesuper.co.kr

Lotte Cinema www.lottecinema.co.kr

Lotte Shopping Investor Relations

www.lotteshoppingir.com

Lotte Shopping Sustainability Report 2015

Think Tomorrow

Lotte Shopping’s sustainability management is belief and challenge to realize happier days and a better future for everyone. We create happiness and hope for all by harnessing sustainability management for the win-win growth of customers, employees, partners, local communities and the international community.

Lotte Shopping Co., Ltd.
CEO

We bring a better future
via lovely life where
everyone is happy.

I offer my heartfelt appreciation to all of those who ceaselessly give love and support to Lotte Shopping. With an eye towards building a better and happier society by way of sustainability management, Lotte Shopping is conducting activities not only for economic growth but for the fulfillment of corporate social responsibility.

Last year, we also carried out a wide array of social contribution activities such as “Lovely House” to remodel welfare facilities and “Free Health Checkup Bus,” “Tree Planting in Mongolia” and “Support for Drinking Water Facilities in Vietnam.” The invention of the slogan “Lovely Life” expressed our will for customer satisfaction. The social contribution slogan of “Presenting Tomorrow” renewed and bolstered our resolution to create a better future for everyone.

Lotte Shopping’s attention and efforts were recognized in various sectors. The 2015 Dow Jones Sustainability Index (DJSI) ranked Lotte Shopping first (Industry Group Leader) in the distribution industry for six years running and included the Company in the world division for seven years in a row. What is more, the WRA (World Retail Awards), the biggest award ceremony for retailers honored Lotte Shopping as the best company in the CSR sector in 2014, proving that the Company is a world-class social contribution leader.

We will not rest on our laurels. We will continue to do everything in our power to return support from customers to them. Please give encouragement and support to Lotte Shopping making ceaseless efforts with a passion for becoming a trusted sustainable company. Thank you.

Lee Won Joon



We will create happy
and rich lives as a
“new curator for life.”

In line with rapidly changing market environments and customer needs, Lotte Mart is no longer a big discount store but is turning into “a new life curator” that proposes a better change in customer life. To this end, we put forth efforts to innovate the qualities of fresh foods. We already opened “It Street” which sells miscellaneous goods for daily use, “Room by Home” that deals in hands-on home furnishings, and “Hav’eat” which is an eco-friendly shop. We will develop various new stores in the future.

Lotte Mart ranked first in the NCSI for four years in a row based on customer satisfaction management. We inaugurated the Lotte Mart Happy Dream Corps based on customers’ trust and support in October 2011. The corps is giving support to about 7,000 children at 126 child welfare centers across the nation so that they can grow into constructive members of society. Lotte Mart was evaluated as the best company in the distribution industry for four years running as we cooperated with partners for the establishment of fair trade and sustainable growth for the balanced growth of the national economy. Needless to say, we are implementing eco-friendly management for our nature based on green stores.

Lotte Mart serving one million customers in Korea, China, Indonesia and Vietnam every day will move heaven and earth to become a “curator for new life.” I want to express my appreciation for your ceaseless support which made Lotte Mart what it is today. Please don't stop giving us your support so that our passion and efforts will bear greater fruit. Thank you.

Kim Jong In



Lotte Super’s efforts
for sustainability
management parallel
an eco-friendly
distribution culture.



Lotte Cinema brings
happy memories
to customers by
creating a comfortable
environment for
watching films.



Lotte Super has recorded remarkable growth over the past 15 years since opening its first store in Seoul in 2001. We could not achieve this without support and trust from stakeholders such as customers, local communities and partners. Going forward, we will continue to make all-out efforts to become a sustainability management leader on the foundation of mutual growth with stakeholders.

As part of such management activities, we signed an MOU on the development of organic farming with the Ministry of Agriculture, Food and Rural Affairs and the Eco-Friendly Farmers Association in May 2015. Though the MOU, we will contribute not only to the expansion of the consumption of organic farming products but to the protection and promotion of organic farming and put socially responsibility management into practice. We will steadily carry out social contribution activities such as the “Hanultari Voluntary Service Corps” that contributes to local communities through the voluntary participation of all employees, leading the way in building a win-win growth system such as financial support for small and mid-sized partners and joint marketing with them.

We will not stop brooding over the essence of the distribution business. Based on it, we will pursue change and innovation. Moreover, Lotte Super will become a trusted company by sincerely playing its social roles and fulfilling its social responsibility. Please support Lotte Super making efforts to build a better world.

Choi Choon Seok

Lotte Cinema founded with domestic capital and technology offers comfortable film watching environments by introducing customer-friendly facilities and advanced equipment with its strong will to bring happy memories to customers. The company has ramped up its theaters since opening its first theater, Lotte Cinema Ilsan in 1999. At the moment, we have 723 screens at 103 multiplexes in Korea. In 2014, we opened “Lotte Cinema World Tower,” the largest in Asia with 4,617 seats in 21 screening halls. Lotte Cinema World Tower is the world’s best theater consisting of “Superplex G Hall,” listed for its world’s largest screen in the Guinness Book of World Records, “Super 4D Hall.” Furthermore, the world’s best multiplex boasts “Cine Family” and “Cine Park” which are family-friendly spaces. Lotte Cinema also operates theaters abroad - 11 in China and 16 in Vietnam. The company is planning to expand its global business into other regions such as Hong Kong.

Lotte Entertainment, a film investor and distributor, is straining to produce more touching and entertaining films. We contribute to the development of Korean cinema by investing in and distributing films of various genres every year. In particular, in 2015, the company sealed a contract to distribute films by U.S. film studio Paramount. Since then, the company has been distributing Hollywood blockbusters such as the “Mission Impossible” series in Korea. Lotte Cinema and Lotte Entertainment are concentrating on safety and environmental activities by partnering with various organizations and conducting social contribution activities such as screening films free of charge for multicultural families, child patients and residents in remote areas.

In unison, all of our employees will grow Lotte Cinema into a global sustainable company which respects customer value and places a top priority in customers’ happiness.

Cha Won Chun

BUSINESS OVERVIEW

Since its foundation in 1979, Lotte Shopping is consolidating its position as a global company by actively expanding into overseas markets beyond the domestic market by offering differentiated products and services. For about 30 years, the Company has led the way in nearly all sectors of the distribution industry such as discount stores, supermarkets, cinema and convenience stores, enriching customers’ lives. Going forward, we will grow into a top global distributor that realizes economic growth and fulfill its social responsibilities by way of active omni-channel strategy and overseas market development.

Lotte Shopping Business Overview

Established date	November 15, 1979
CEO	Lee Won-Joon
Core Business	Large-scale retail business
No. of Employees	27,880
Capital	157.4 Billion KRW

Major Sales Breakdown (Unit: 100 million won)


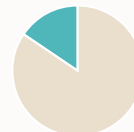
Total	161,116
Department Store	79,453
Mart	56,571
Super	17,708
Cinema	7,384

Lotte Department Store

Lotte Department Store is aiming to become a top global distributor not complacent with its current No.1 position at home by setting the vision of “Global Top 5” in May 2012. To this end, we are making diversified efforts such as the enhancement of employees’ capabilities, the creation of a corporate culture and CSR activities that can match our status as one of the Global Top 5 while pressing on with active overseas advancement, new business and overwhelming innovation.

Lotte Department Store’s braches at home and abroad

59 branches



Number of branches at home 50 Ratio 84.7%	Number of overseas branches 9 Ratio 15.3%
	
Market Share in Korea	48.6%
Date of Establishment	November, 1979
Sales Ratio by Business Division	50.0%
Major Products	Clothing, sundries, home appliances, furniture, jewelry, food

Lotte Mart

Lotte Mart is solidifying its position as a global distributor under its vision of “No.1 Retailer in Asia.” With an eye towards becoming a reliable company based on customers’ trust and support, the Company is steadily launching “value innovation products” with new value instead of triggering price war. Besides, not to speak of elevating the satisfaction of customers and employees, we are putting social responsibility-based management into practice by taking into win-win growth with small merchants and partners and green value of the Earth.

Lotte Mart’s braches at home and abroad

266 branches


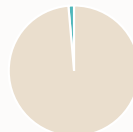
Number of branches at home 115 Ratio 43.4%	Number of overseas branches 151 Ratio 56.6%
	
Market Share in Korea	24.3%
Date of Establishment	April, 1998
Sales Ratio by Business Division	35.8%
Major Products	Food, household supplies, clothing, sundries

Lotte Super

Lotte Super took its first step in 2001 with its mission to “contributing to better quality of life with fresh and safe goods.” Since rising to the top in Korea in 2009, the Company has been putting its efforts into taking off to be a global supermarket company. While going ahead with the reinforcement of current business and new business development, Lotte Super is making its presence felt as one of Asia’s Top 5 supermarket companies by making an active foray into overseas markets.

Lotte Super’s braches at home and abroad

1,297 branches


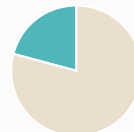
Number of branches at home 1,280 Ratio 98.7%	Number of overseas branches 17 Ratio 1.3%
	
Market Share in Korea	46.0%
Date of Establishment	May, 2001
Sales Ratio by Business Division	11.2%
Major Products	Food, household supplies, sundries

Lotte Cinema

Lotte Cinema has grown into a multiplex company with general entertainment platform functions such as shopping, entertainment and leisure. Now it is the second biggest movie theater company with 130 theaters. In 2014, the Company is taking off as a global entertainment company as it opened two and five theaters in China and Vietnam, respectively, elevating the number of its overseas theaters to a total of 27. In the future, we will continue our position as a global enterprise via active advancement into overseas markets and business localization.

Lotte Cinema’s braches at home and abroad

130 branches

Number of branches at home 103 Ratio 79.2%	Number of overseas branches 27 Ratio 20.8%
	
Market Share in Korea	29.3%
Date of Establishment	October, 1999
Sales Ratio by Business Division	3.4%
Major Products	Film investment, distribution, screening



GLOBAL
BUSINESS

Lotte Shopping is consolidating its capabilities as a global company by actively expanding into overseas markets, focusing on VRICs (Vietnam, Russia, Indonesia and China). The Company is exerting itself to give more satisfaction of customers of its overseas stores by new shopping experiences, various value and differentiated services. In particular, the Company is realizing global management based on four strategies which focuses on advancement into new markets, products, MD, localization and responsibility management.

Overseas branches (Unit: branches)

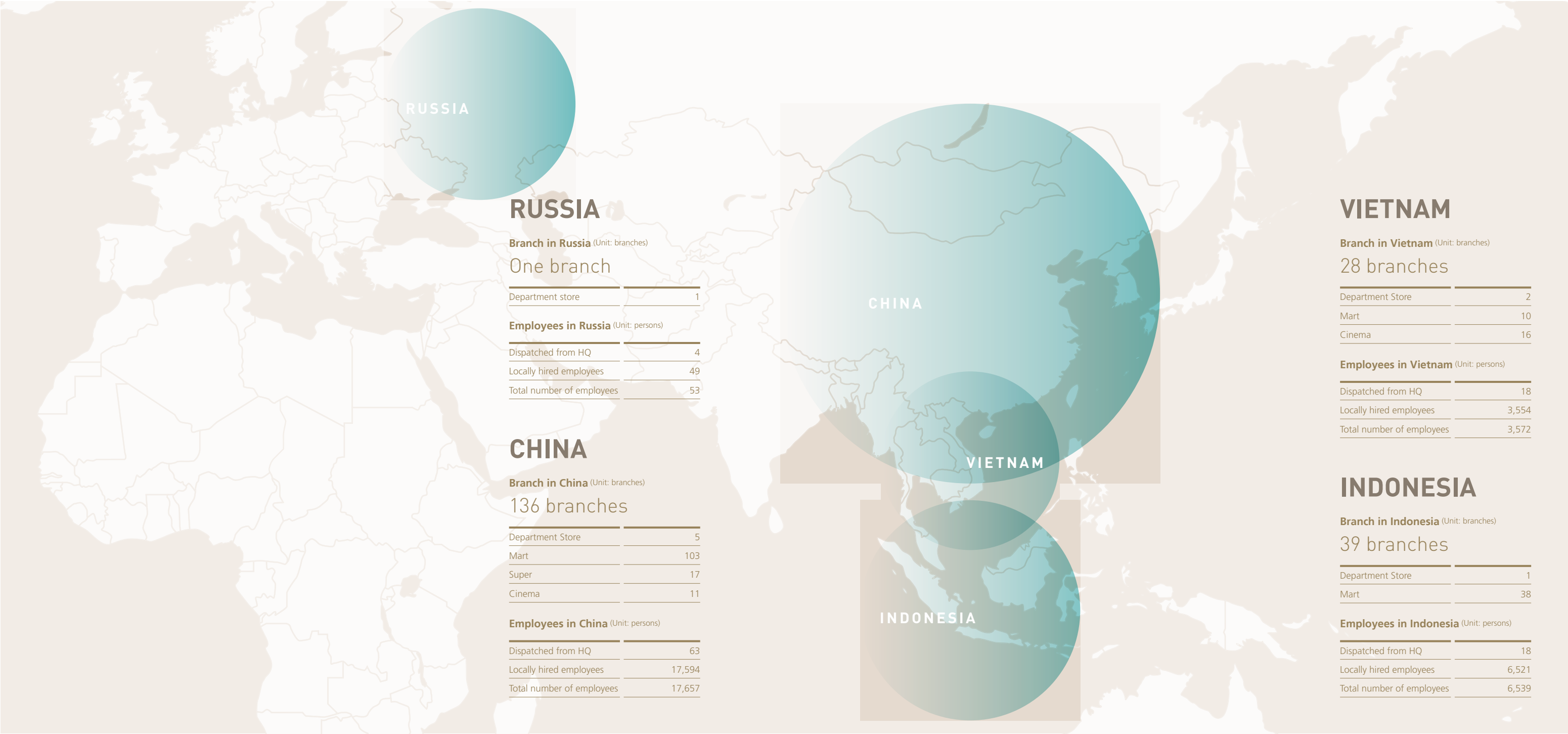
Department Store	Mart	Super	Cinema
9	151	17	27

Employees at overseas branches (Unit: persons)

2012	2013	2014
23,256	31,685	27,871

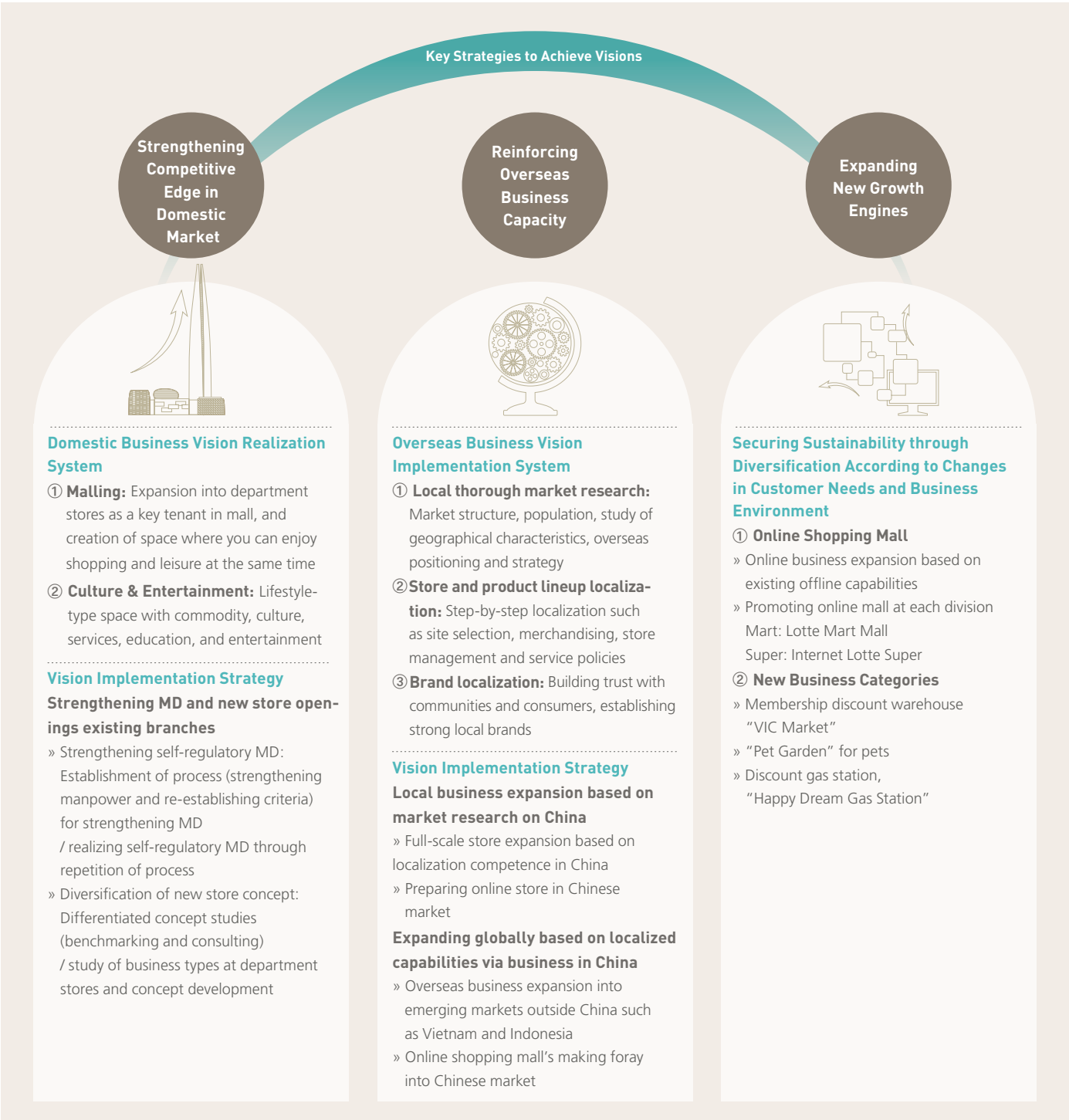
Ratio of locally hired employees

99.6%



BUSINESS MODELS AND FUTURE VISIONS

Lotte Shopping is making various strategies and putting them into execution in an effort to realize its visions as a global distribution leader. Based on three core strategies - boosting our competitive edge at home, reinforcing overseas business capabilities and expanding new growth engines, we will expedite the realization of our visions through the establishment of implementation systems by strategies and detailed execution plans and active enforcement.



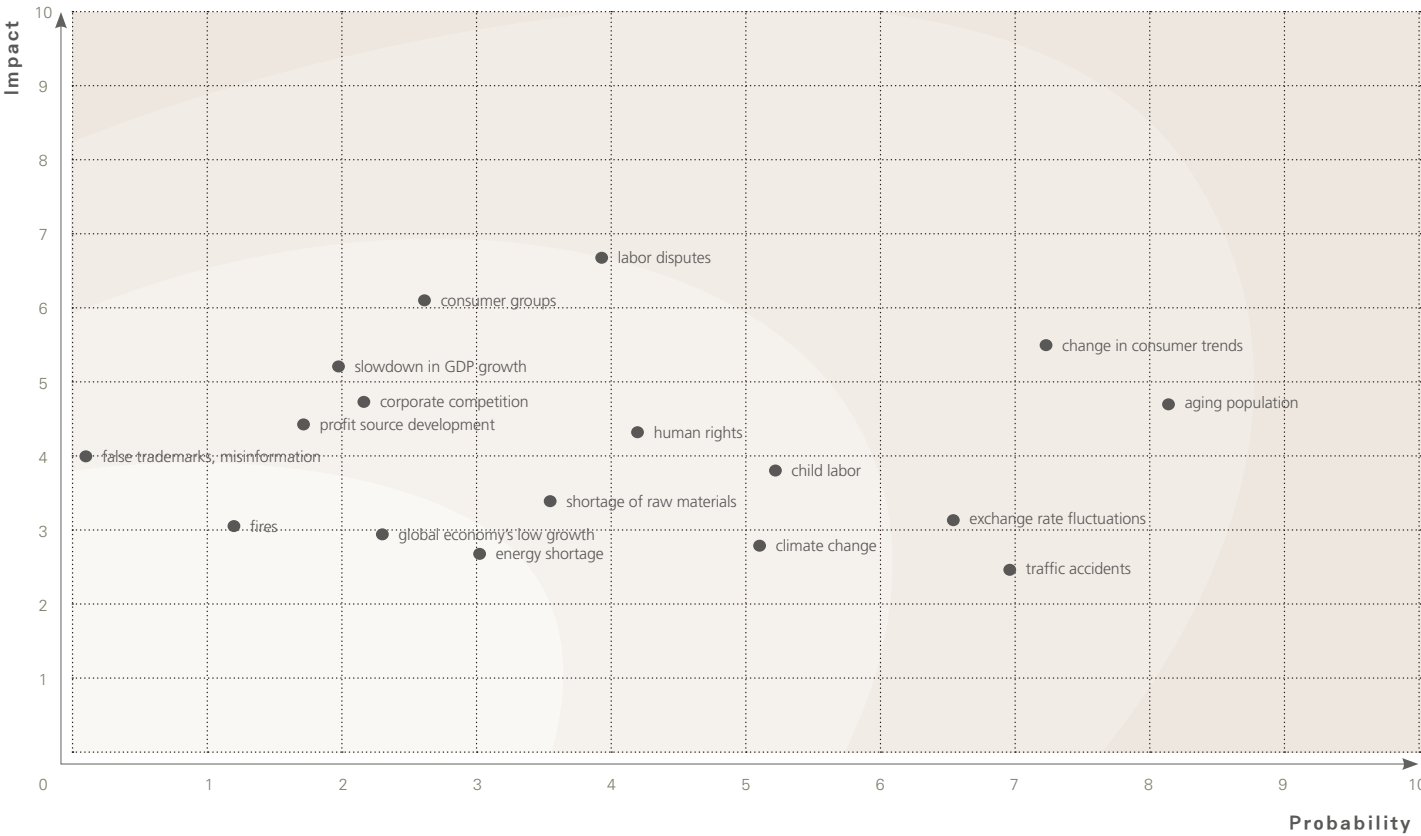
RISK MAP BASED ON BUSINESS PLAN

Lotte Shopping defines internal and external risk elements in business activities as risks. The Company is heading off each risk by continuously analyzing a possibility of its occurrence and its impacts and taking all measures available to minimize the risks without fail. The Company categorized six major risk factors in the business environment. They are products, the environment, consumers, human rights and ethics and supply chains identified by our survey on the status of risk management.

Risks Surrounding Lotte Shopping

Business environment	slowdown in GDP growth, low growth of global economy, currency fluctuations, competition among companies, government regulations
Products	fake brands, errors in product information, safety of agricultural products, drop in efficiency of store operation and product safety
Environment	scarcity of energy and raw materials, climate change, exhaustion of energy and minerals, water shortage, GHG regulations
Consumers	changing consumer trends, fires, traffic accidents, consumer groups, aging society, accidents and change in customer behaviors, etc.
Human Rights and Ethics	child labor, human rights, labor disputes, employee dissatisfaction, employees' lack of capabilities
Supply Chain	conflicts with partners, fair trade issues, corporate ethics.

Risks Map Lotte Shopping



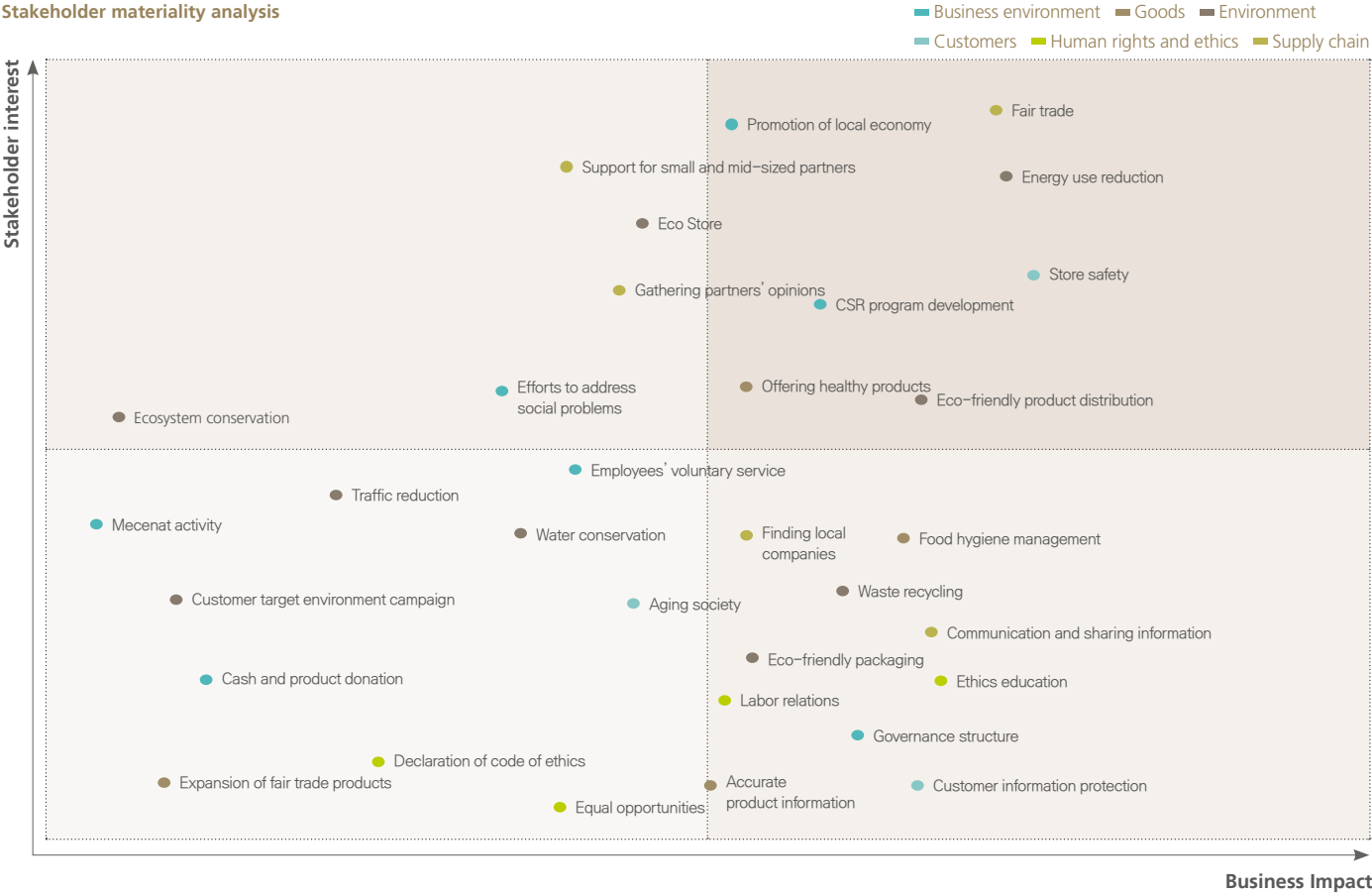
RELATIONSHIPS
WITH STAKEHOLDERS

Lotte Shopping provides desired value to various stakeholders and strives to fulfill responsibilities as requested by them. We conduct a regular survey of stakeholders and runs a wide array of communication channels to actively grasp their needs. We are seeking various measures for the purpose of precluding risk and creating new value for stakeholders.

Communication with Stakeholders

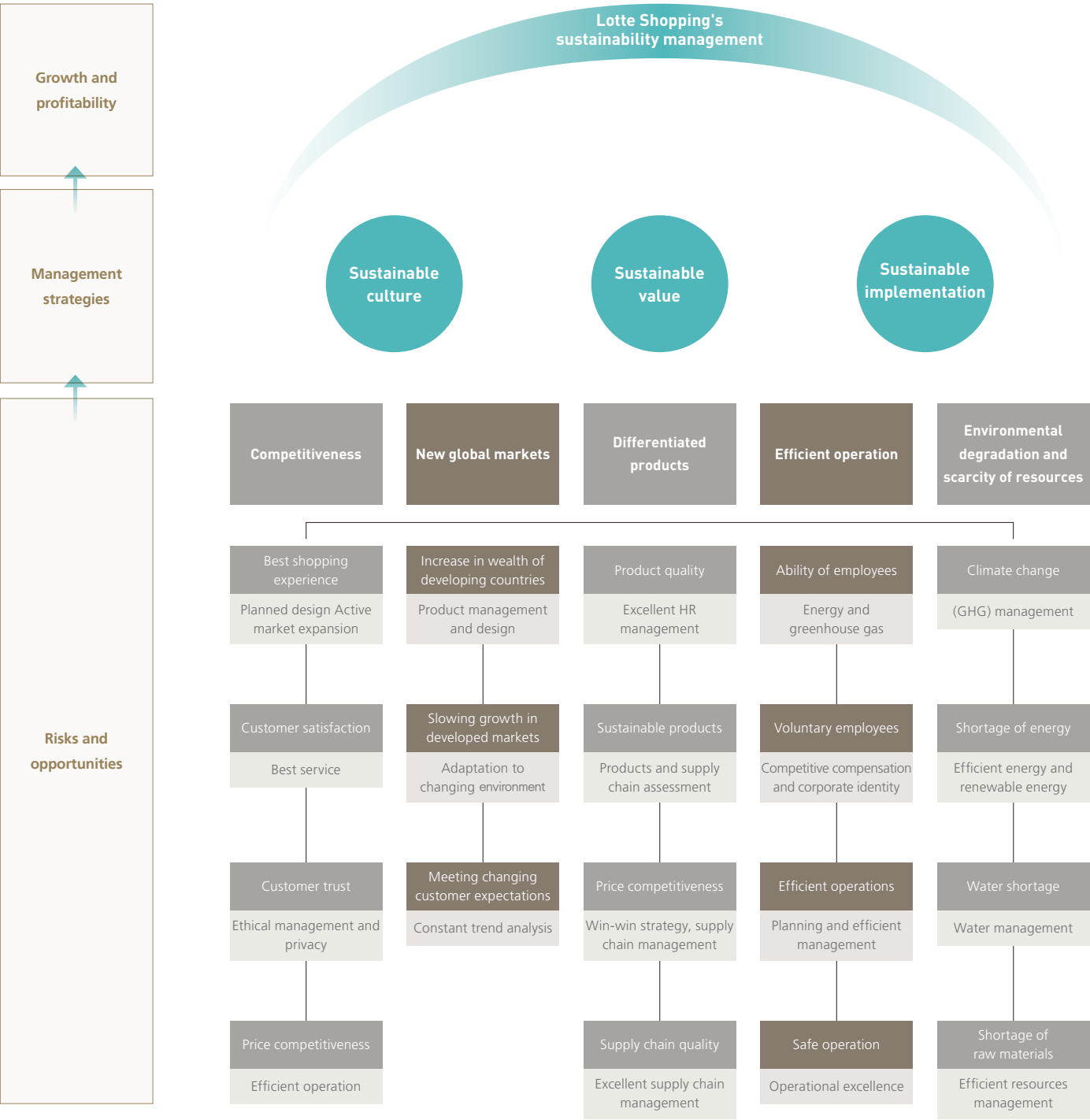
Category	Areas of interest	Communication channels	Respondents and their ratio
Customers	Quality service, quality and safety of products, customer safety, information security	Customer satisfaction surveys, VOC systems, customer service center, CRM system, customer management, customer mentoring system	240 persons (23.7%)
Employees	Work-life balance, training and personal development opportunities, fair evaluation and compensation, human rights	Employee Satisfaction Survey, Employee healing center, intranet, ideas, systems, labor-management council	603 persons (59.6%)
Partners	Work-life balance, training and personal development opportunities, fair evaluation and compensation, human rights	Partner satisfaction survey, partners convention, open note to colleagues	53 persons (5.2%)
Shareholders	Economic performance, brand value	Shareholders' meeting, IR activities, conference calls, annual report	18 persons (1.8%)
Local Communities	Community contribution, job creation, community contributions	Social contribution and environmental value management, community activity report	34 persons (3.4%)
Government	Environmental management, social contribution and economic contribution	Meetings with government, business conventions, participation in government's programs	63 persons (6.2%)
Total			1,011 persons (100.0%)

Stakeholder materiality analysis



DEVELOPING
SUSTAINABILITY
STRATEGIES
THROUGH CRISES AND
OPPORTUNITIES

Lotte Shopping grasped parts which it has to focus on and systematically manage through analysis of risk surrounding it and a material test. The risk analysis accentuated changes in consumer trends and the aging society among others. At the same time, the material test brought up fair trade compliance, saving energy and the promotion of local economies as key issues.



2014 HIGHLIGHTS

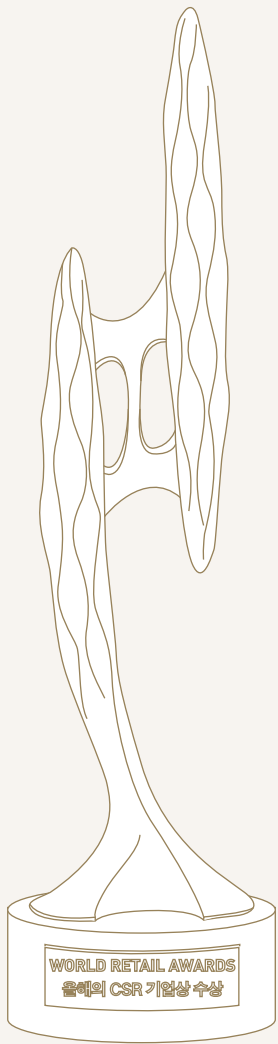
Lotte Shopping is a cultural place that took the lead in new lifestyles for customers as well as a shopping space which offers customers the best products and services.

For a better future, we are going through ceaseless innovation and renovation and at the same time, spearheading activities to address various social and environmental issues.

We enhance our brand value and cement our position as a company with excellent sustainability management through such attention and efforts.

Picking Up This Year’s CSR Award

Lotte Department Store took home the “CSR Company of The Year” Prize from Top Right Group of the U.K. at the WRA (World Retail Awards) in October 2014. The WRA is the world’s largest award event in the distribution industry with the participation of 1,500 retails from around the world. The prize is given to retailers after assessing their social contribution activities. Lotte Department Store enjoyed the distinction of nabbing the prize, a first for a Korean company, in recognition of the results of its environmental value management activities.

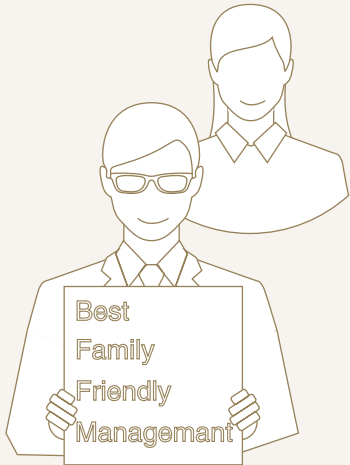


“Global Top 3” Retailer by Forbes

Lotte Shopping was selected as the Global No. 3 in department store section among Forbes global 2000 companies in May 2014. Forbes Global 2000 is a list annually published for global ranking in terms of financial performance and market capitalization. This announcement elevated Lotte Shopping’s status as a global distributor once again.

Lotte Department Store and Lotte Mart Come in First in NCSI

The National Customer Satisfaction Index (NCSI) is a comprehensive analysis index of customer’s expectation and satisfaction on companies’ products and services. Lotte Department Store placed first in the department store section in 12 consecutive years and Lotte Mart held first place in four consecutive years in the large scale discount store section according to the 2014 National Customer Satisfaction Index (NCSI) survey. These achievements will empower Lotte Shopping to receive more trust and support from customers.



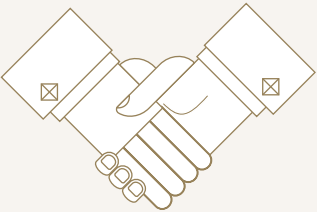
Renewing Family-Friendly Certificate

Lotte Department Store has been maintaining the Family-Friendly Certification System of the Ministry of Gender Equality and Family since 2009. In 2014, the certificated was renewed. We are striving to promote workplaces with work-life balance through various family-friendly systems such as Lotte Department Store’s parental leaves, the PC-off System and Happy Plus Day and Lotte Mart’s support for employees’ or their spouses’ conception and Family Love Day among others.



Taking Home 1st CSV Porter Prize

Lotte Mart nabbed the prize in the shared growth sector in the first Porter Prize for Excellence in CSV which gives prizes to companies excellent at creating shared value in December 2014. The company was honored by winning the prize for the first time as judges recognized its achievement of creating mutual benefits and laying the foundation for sustainable growth by way of the development of joint products based on the establishment of and support for the “Eokedongmu Cooperative.”



Picking Up Grand Prize Shared Growth Brand Contest

Lotte Mart claimed the Grand Prize at the 2014 Shared Growth Brand Contest hosted by the Ministry of Industry, Trade and Resources and The Commission on Shared Growth for Large and Small Companies. Lotte Mart jointly developed “instant boiled rice” through collaboration with famers troubled with a reduction in rice consumption and small businesses with high technology and launched it. This initiative addressed the social problem of a drop in rice consumption and generated profits with small businesses, bringing the honor to Lotte Mart.

SUSTAINABILITY MANAGEMENT KPIS

Major KPIS in Economic Sector			
Item	2012	2013	2014
Sales (one million won)	16,121,838	16,562,962	16,111,643
Profits (Operating profit) (one million won)	1,137,562	1,184,527	993,495
Stock price (Market capitalization) (one million won)	43,565	44,328	59,104

Business Expansion

Item	2012	2013	2014
Number of domestic stores	999	1,272	1,549
Number of stores abroad	159	190	204
Total number of stores	1,158	1,462	1,753

Major KPIS in Environmental Sector				
Item	Category	2012	2013	2014
Number of certified green stores	Number of certified stores	46	75	102
	Percentage of certified stores (%)	32.62	51.37	62.20
Number of stores in buildings with green building certificates	Number of stores in buildings with them	5	6	7
Power consumption	Total amount (MWh)	1,086,653	1,134,878	1,141,017
	Amount compared to area (kwh/nm²)	147.53	145.24	141.00
Fuel consumption	Total power consumption (10,000m²)	3,609	3,498	3,250
	Amount compared to area (nm² / m²)	4.90	4.48	4.02
GHG emissions	Total emissions (ton)	769,462	783,673	781,045
	Amount compared to area (kg / m²)	104.47	100.29	96.52
Water use	Total tap water consumption (1,000 ton)	8,393	8,347	8,321
	Water use per unit area (l / m²)	1.14	1.14	1.03
Waste	Waste generation (ton)	91,847	94,286	96,936
	Emissions compared to area (kg / m²)	12.47	12.07	11.98
	Recycled volume (ton)	62,972	65,347	65,570
	Recycling rate (%)	68.6	69.3	67.6
	Incineration and landfill (ton)	28,875	28,939	31,366
Amount of green purchases	Department store, Super (one millon won)	8,297	8,453	8,122
Sales of eco-bags	Department store (one millon won)	194	129	381
Sales of eco-friendly brands	Department store (one millon won)	43,830	44,876	46,029
Sales of eco-friendly compilation shop (Eco Shop)	Department store (one millon won)	885	587	780
Sales of eco-friendly products	Mart (one millon won)	1,597	1,653	1,609
Participants in Children's Art Contest	Department store (persons)	9,782	12,258	11,598

Major KPIS in Social Sector				
Item	Category	2012	2013	2014
Development of employees' capabilities	Number of educated employees (persons)	26,483	29,204	32,013
	Education cost per employee (in millions of won)	51	56	35.6
Social contribution expense to sales ratio	Social contribution cost (in millions of won)	19,137	19,581	26,832
	Social contribution expense to sales ratio (%)	0.12	0.12	0.17
	Sales (in millions of won)	16,121,838	16,562,962	16,111,643
Supply Chain Sustainability Management (Risk)	Supply Chain Sustainability Performance Index (points)	68.61	68.24	68.92

Customer

Item	Category	2012	2013	2014
Customer Satisfaction Index	Department store	74	76	76
	Mart	75	75	74
	Average	75	76	75

Supply Chain

Item	Category	2012	2013	2014
Partner Support	Department store	Mutual Growth Financing (100 million won)		
		132	41	37
	Mart	Shared Growth Fund (100 million won)		
		542	796	794
		Direct Support (100 million won)		
		Indirect support-family loans (100 million won)		
		1,762	1,370	1,796
		Mixed support-Shared Growth Fund (100 million won)		
		700	900	900

Employees

Item	2012	2013	2014
Number of employees (persons) (in Korea)	26,483	29,204	32,013
Number of contract workers (persons)	7,140	7,965	9,242
Contract worker ratio (%)	29.96	27.27	28.87
Newly hired employees (persons)	1,079	779	848
Newly hired female employees (persons)	160	193	308
Percentage of newly hired female employees (%)	14.83	24.78	36.32
Employee retirement rate (%)	4.14	4.09	3.35
Total expenses for employee education (in millions of won)	10,207	10,590	10,969
Total employee education time (hours)	973,330	1,074,577	814,483
Education time per employee (hours)	36.8	36.8	25.4
Number of education courses	1,255	1,606	3,943
Number of disabled employees (persons)	481	496	635
Percentage of disabled employees (%)	1.82	1.70	1.98

FOCUS ON 2014 KEY ISSUES

Steady Reinforcement of Customer-Oriented Management

Lotte Shopping spares no efforts to maximize customer satisfaction by grasping customer needs in their shoes and providing high-quality services via customer-centric management. The company is putting more energy into taking into consideration customers' opinions in its overall management such as building a VOC system and keeping its word with customers.

Customer Service Charter



NCSI Awards



16 consecutive years

Korea Brand Power Index (K-BPI)
1999~2014

3 times

CCM (Consumer-Centric Management)
2009~2014



Customer Service Charter

Lotte Shopping established the "Customer Service Charter" to maintain the highest service level as a distribution company that directly serves customers on the scene. This is a service standard for all employees to practice and upgrade and a direction for them.

VOC (Voice of Customer)

Lotte Shopping is always listening to the voices of customers. The Customer Centers at all branches are endeavoring to process customers' valuable opinions such as compliments, complaints and suggestions more expeditiously and accurately. The VOC online system which handles questions or expresses opinions regardless of time and places sends all received items to those in charge of the matters at teams and let them answer within three hours in real time. Based on this, we quickly resolve customer complaints, analyze the causes of the complaints and used the outcomes as basic data in making an improvement to service systems and store environments. Therefore, we are putting forth efforts to enhance service qualities and minimize customer complaints.

Building New VOC System

We strengthened a system to collect, analyze and utilize customers' opinions in accordance with environmental change by building up a new VOC System in June 2014. Systematic VOC management led to a database of customers' opinions and the security of customer information. Most of all, we developed a mobile application in

order to enable employees to use the online VOC System via mobile devices. The application empowers them to refer to VOC handling and VOCs of their departments and make feedback in real time. VOC statistic analysis was bolstered a great deal. Moreover, we reinforced the collection of regular customers' opinions by additional menus for VOCs of various types for highly valued customers. We laid the foundation for system for fast strategy development and execution to cope with various situations by developing statistical analysis of VOCs by brands and importance. Furthermore, we added adding a new function of VOC improvement tasks in the system. Thus, an issue VOC prompts a department to draw up an improvement plan in concert with relevant departments.

Development of System to Share Partners' VOCs

Lotte Shopping already has an advanced VOC management process. But due to the characteristics of the distribution industry, it is prerequisite for partner stores at Lotte Shopping facilities to step up efforts to improve services. This is because Lotte Shopping alone is unable to make an improvement to service qualities and brand image without the participation of such partner stores. Accordingly, we developed a VOC sharing system through which VOCs are instantly shared with partners. A VOC button click immediately sends the details of a VOC and primary answers to the manager and head of the partner via email and SMS. Therefore, Lotte Shopping and its partners can share the content and jointly make a improvement plan.

Accolades and Recognitions

Name	Contents	Held or Hosted by	Award Date	Remarks
National Customer Satisfaction Index (NCSI)	Quantify domestic consumers' satisfaction of products and services based on modeling	Korea Productivity Center	2003~2014	12 years in a row
Korean Standard-Service Quality Index (KSQI)	A service evaluation team evaluates customers' satisfaction about companies in Korea and turns the results into an index.	Korea Management Association	2012~2014	3 years in a row
Korea Customer Satisfaction Index (KCSI)	A general index which represents customer satisfaction about companies' human service, convenient facilities and events	Korea Management Association	2013~2014	2 years in a row
National Quality Award	Honor excellent companies which contributed to the enhancement of the nation's industrial competitiveness via successful innovation of quality management	Ministry of Industry, Trade and Resources	2013	Presidential citation
Korea Service Grand Prize	Given to companies taking the initiative in strengthening their competitiveness and making the people happy by building and offering customer-centric systems	Korea Standard Association	2011~2014	4 years in a row
Korea Management Grand Prize	Bestowed upon companies respected for prominent business achievements and corporate culture for innovation	Korea Management Association	2012~2014	3 years in a row
National Brand Competitiveness Index (NBCI)	Calculate brand power by assessing recognitions, images and relationships	Korea Productivity Center	2003~2014	12 years in a row
Korea Brand Power Index (K-BPI)	Grasp the influence of each brand via a consumer survey and turn the results into an index	Korea Management Association	1999~2014	16 years in a row
Brand Star	Assess and certify the value of brands by industrial sector to select top rankers	The Korea Economic Daily	2000~2014	15 years in a row
KS-Premium Brand Index (KS-PBI)	A brand evaluation system developed to enhance corporate competitiveness and strategically manage premium brands	Korea Standard Association	2011~2014	4 years in a row
CCM (Consumer Centered Management)	Certification can be given after checking whether or not customer-oriented systems and standards are used to deal with customer dissatisfaction and damages to them	The Fair Trade Commission, Korea Consumer Agency	2009~2014	Certified 3 times
Korean Service Quality Index (KSQI)	Evaluate service quality levels recognized by customers at contact points after products and services were delivered	Korea Management Association Consulting	2010~2014	Ranked first for five consecutive years
Highest Korean Brands	Select the year's best performing brands through systematic and streamlined brand management	JoongAng Ilbo, Yonsei University	2009~2014	Selected six years in a row
Korea's 100 Best Brands	Evaluated by Brand Stock, a brand value evaluation company through a brand index (70%) and a consumer survey index (30%)	The Korea Economic Daily	2009~2014	Selected six years in a row

FOCUS ON 2014 KEY ISSUES

New Attempt for Mutual Growth

Lotte Shopping is stepping up its efforts to grow with small and mid-sized partners every year. We are realizing truly practical win-win growth such as bolstering up various support in finance, education and communication, opening stores exclusively for products of small and mid-sized companies and holding the Korean Product Show abroad.

100%

“Dream Plaza”, “Lotte Creativity Economy Mart” Paying for interior work cost and sales clerks’ labor cost

Direct export of Korean farming products



“Dream Plaza” in support of small and medium-sized enterprises (SMEs)

In July 2014, Lotte Department Store opened “Dream Plaza” in support of small and medium-sized enterprises (SMEs) at its main branch for the first time in the department store business. Dream Plaza expanded to Busan Main Branch in October and Jamsil Branch in December 2014. At the moment, three Dream Plazas are in operation. Dream Plazas are designed to publicize brands and sell products to customers. Lotte Department Store’s will for shared growth saved SMEs store interior work costs and sales clerks’ labor costs 100 percent.

“Korean Product Show” to Help SMEs Develop Overseas Markets

Lotte Department Store held the Korean Product Show with the participation of a total of 20 companies at the Weihai branch and with the participation of 34 companies at the Shenyang branch by putting overseas stores to good use. This event gave excellent Korean SMEs opportunities to publicize their brands and products to overseas customers. Lotte Department Store forked out a total of 540 million won for the event. In particular, we fully paid for event-related costs such as transportation, custom clearance, labor, sales promotion and interior work costs in order to save Korean SMEs difficulties in export and customer clearance.

Lotte Creative Economy Mart for Creative Products

“Lotte Creative Economy Mart” opened World Tower Branch of Lotte Creative Economy Mart, a store for SME goods only which discovers SMEs’ innovative products and help SMEs develop their

markets by partnering with the Ministry of Science, ICT and Future Planning. Lotte Mart’s will for shared growth saved SMEs all of interior work cost for their stores and labor cost. Besides, various efforts are being made to develop creative products, help build a distribution platform, give support to SMEs’ tests and marketing of creative products.

“K-Hit Plaza” Which Sells Korean SMEs’ Products Abroad

With the aim of supporting Korean SMEs’ entry into overseas markets, Lotte Mart opened “K-Hit Plaza” which exclusively sells Korean SMEs’ products at the Gongik Seogyo branch in Beijing China and the Tan Binh branch in Ho Chi Minh City in Vietnam. Lotte Mart built a general support system such as custom clearance, logistics and marketing in order to support SMEs’ advancement into overseas markets based on its strength of a global distribution network. In 2014, about 430 excellent products of 107 SMEs were introduced to local consumers by way of this program.

Direct Export of Korean Farming Products

Lotte Mart supported exports of Korean agricultural products to overseas markets through its global distribution network for the first time in the industry. The company exported ten tons of Korean onions and sold them at its seven stores in Beijing China with a view to tackling a drop in prices of onions caused by a glut of Korean onions, stabilizing supply and demand and giving support to onion farmers in November 2014. In December 2014, its ten shops in Vietnam sold out ten tons of Korean onions in five days.

New market development



Opening Dream Plaza



54

SMEs participating in “Korean Product Show” Weihai and Shenyang branches in China

(Unit: company)

FOCUS ON 2014 KEY ISSUES

Female-Friendly Workplaces

Lotte Shopping is implementing various systems and education to help female employees display and develop their capabilities and promote work-life balance. Systematic female leader development, education and leave programs based on lifecycles such as childbirth and childcare help female employees feel rewarded and live happily at work and home.

5 years

Programs for Female Leaders

since 2011



Unpaid Parental Leave System

Lotte Shopping has been running an unpaid parental leave system with the aim of preventing a break in female employees' careers and driving work-life balance since March 2015. This system can give them unpaid parental leaves for six months or one year and the leaves can be directly linked to legal parental leave periods. Applications are accepted one month before the end of legal parental leave periods. Female employees can use this program through simple procedures.

Education for Female Talent Development

Future female leader education and female lifecycle education are being implemented to help female talent to steadily grow at Lotte Shopping via the systematic development of their capabilities. The education focuses on making an improvement to recognition of female resources (weak confidence in work and lack of leadership) and fostering female leaders who understand the company's visions and core values and put them into practice.

Future Female Leader Development Program

Various education programs have been enforced to nurture future female leaders since 2011. In 2011, the Female Leader Networking Program beefed up a network among female leaders and laid the foundation for female leadership education. In the following year, the company ran the Future Female Branch Head Training Program to pursue the enhancement of female leaders' branch management capabilities. At the same time, mentoring with branch managers laid the solid groundwork for the expansion and reinforcement of networks. In particular, the WOW (Way of Women) Forum managed

by the Lotte Group externally declared our will to foster female talent and the importance of female talent development and instilled strong pride in core female talent and gave encouragement to them. In 2013, we hold breakfast meetings for female leaders from February to November in order to foster female leadership and lay the groundwork to strengthen their networks within the Company. The meeting held five times from February to November helped them bolster networking and recognize their roles. In 2014, a female leader program named "Learn & Lunch" was conducted three times. This program enabled female leaders to beef up networking over lunch. At the same time, special leadership lectures and intensive subprograms helped them develop their capabilities. In 2015, the program expanded into all of female executives and subprograms were conducted and special lectures were given for the enhancement of female leadership and occupational capabilities.

Female Life Cycle Education

Female life Cycle education is composed largely of the education of those who returned after baby breaks and the pre-mom education of pregnant employees. The former has been given to help those who returned after baby breaks adapt themselves to their work and reinforce their confidence. The latter teaches pregnant employees knowledge about childbirth and health and helps them stay mentally and physically healthy.

Enforcement of
Learn & Lunch Program



3 times

Enforcement of
Learn & Lunch Program

2014



Breakfast meeting with
female leaders

FOCUS ON 2014 KEY ISSUES

Eco-Friendly Activities

Lotte Shopping endeavors to contribute to environmental protection, a major global issue, by way of a wide array of eco-friendly activities. The company is leading the way in saving energy and resources and preserving the environment not only by spreading bikes, an eco-friendly means of transportation and producing and distributing eco-friendly shopping bags but by running programs with the participation of customers.



Charlotte Green Dreamers

500 bikes

"Green project" to donate bikes



Green Project

Lotte Cinema held the "Lotte Cinema Green Project" Event which gave 500 bikes to customers via a draw in March 2014. The event aimed at encouraging people to ride environment-friendly bikes by informing them of the fact that in the event that 500 people go to their work by bike, it can save Earth 120 tons of carbon a year. We will continue to hold environmental campaigns to satisfy customers as well as protect the environment.

Eco Shop (Eco-Friendly Compilation Shop)

Eco Shop is an eco-friendly compilation shop developed by Lotte Department Store and the Korea Green Foundation. The two are running the shop at the main and Jamsil branches. The shop sells various eco-friendly products such as pens, organic produce, foods and clothing. Proceeds go to the foundation as donations and are used for green campaigns. Eco Shop donated about 700 million won from 2008 to 2015 and will more eco-friendly products in the future.

Eco-Friendly Exposition

Lotte Shopping took part in the Eco-Friendly Show hosted by the Ministry of Environment and the Korea Environmental Industry and Technology Institute. Approximately 250 companies and organizations took part in the exposition which ran at Seoul's COEX for four days from October 21 to 24. The event drew 40,000 visitors. Lotte Shopping opened Green Co-Prosperity Pavilion about Partners' main products and campaigns and Eco-Shop Special Pavilion and held eco-friendly events and offered souvenirs at its own booth which was about 220 square yards wide. The Eco-Friendly Show served as a meaningful opportunity to introduce Lotte Shopping's environmental value management to those very interested in the environment.

Charlotte Green Dreamers

Lotte Shopping ran the Charlotte Green Dreamers Program through which college students hold eco-friendly campaigns. 40 college students carried out a wide variety of eco-friendly missions via this program designed to foster green leaders among college students for five months from June to October 2014. The students can raise their awareness of the environment, taking in various missions such as Green Job Idea Mission, Eco-Friendly Village Camp and Planting Trees in Noeul Park.

Building Eco-Friendly Stores and Largest Number of Green Stores

Lotte has been making various efforts to build eco-friendly stores since announcing environmental management in 2008. A total of 23 billion won was invested to install solar power generation facilities at 39 stores across the nation. They generate 4,586Mw of power a year. On top of that, the company is spearheading the diffusion of new and renewable energy by taking part in the "Electric Car Charging Infrastructure project" of the Ministry of Environment and building charging facilities at 14 stores throughout the nation. These efforts accomplished the operation of the largest number of green stores designated by the Ministry of Environment.



Eco-friendly exposition



Eco Shop at Lotte Department Store

25%

Contribution to environmental protection and cost cutting
distributing eco-friendly shopping bags

01

THINK HIGHER VALUE

Lotte Shopping's Management Culture

Pursuing Higher Value

Lotte Shopping's sustainability management is to give all stakeholders higher value. The company will give customers satisfaction, shareholders and investors profits based on its high performances and employees and partners the fruit of its growth and fulfill its responsibility for the environment and society. These efforts will empower us to create a sustainable future. It is Lotte Shopping's strong will for sustainability management to secure sound corporate governance thoroughly put ethical management to practice and continue amazing innovation. We will realize the most desirable sustainability management, creating higher value for all stakeholders.



31

Growth of Smart Pick-Up
Service Revenues

Unit: 100 million won

20,000

Smart Beacon Service
Daily average number of buyers

Unit: persons

83,507

Shopping system registration

Unit: cases

Introduction
of Ali Pay System

Industry's first Chinese mobile
payment methods

1,407

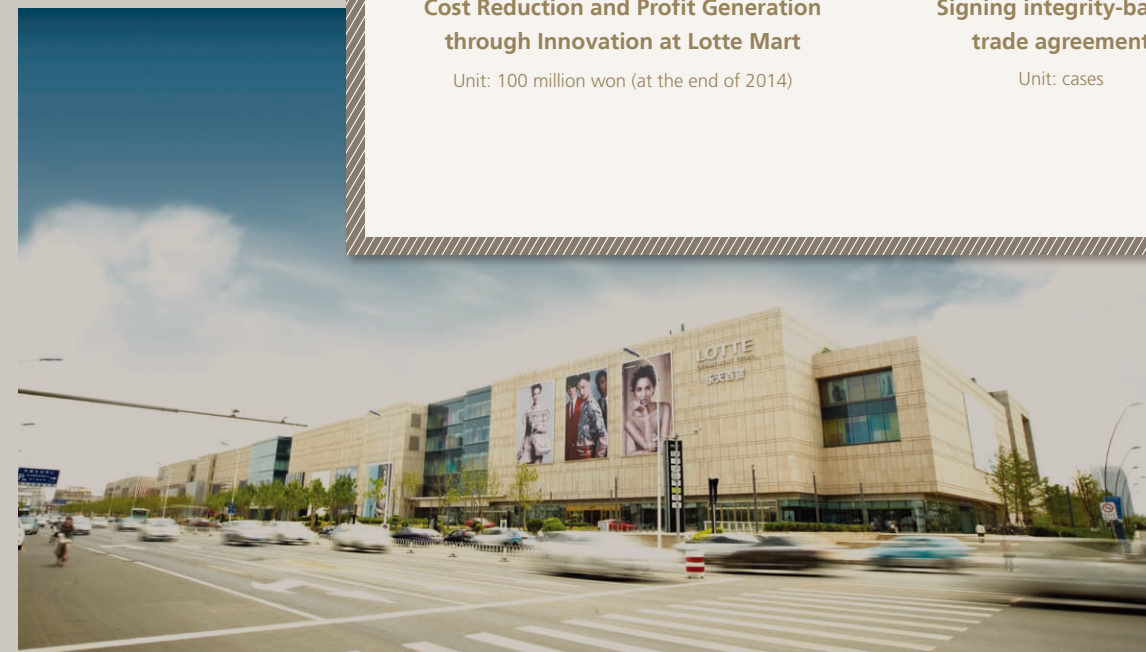
Cost Reduction and Profit Generation
through Innovation at Lotte Mart

Unit: 100 million won (at the end of 2014)

3,827

Signing integrity-based
trade agreement

Unit: cases



Lovely life

LOTTE SHOPPING's CSV

Lotte Shopping is pushing forward with sustainability management in terms of the environment, customers, ethics, employees and win-win growth. Our ultimate goal is to take the initiative in environmental protection, fulfill social responsibility, honor ethical management and achieve economic growth. Lotte Shopping will grow into a model company in sustainable management by expanding investment in sustainability management in the future.

Sustainability Management Committee

Lotte Shopping's Sustainability Committee was founded in 2010 as the CEO positioned for the chairman for the committee. The committee consists of nine executives who are in charge of its business units. Its members discuss and determine strategic directions and main assignments.

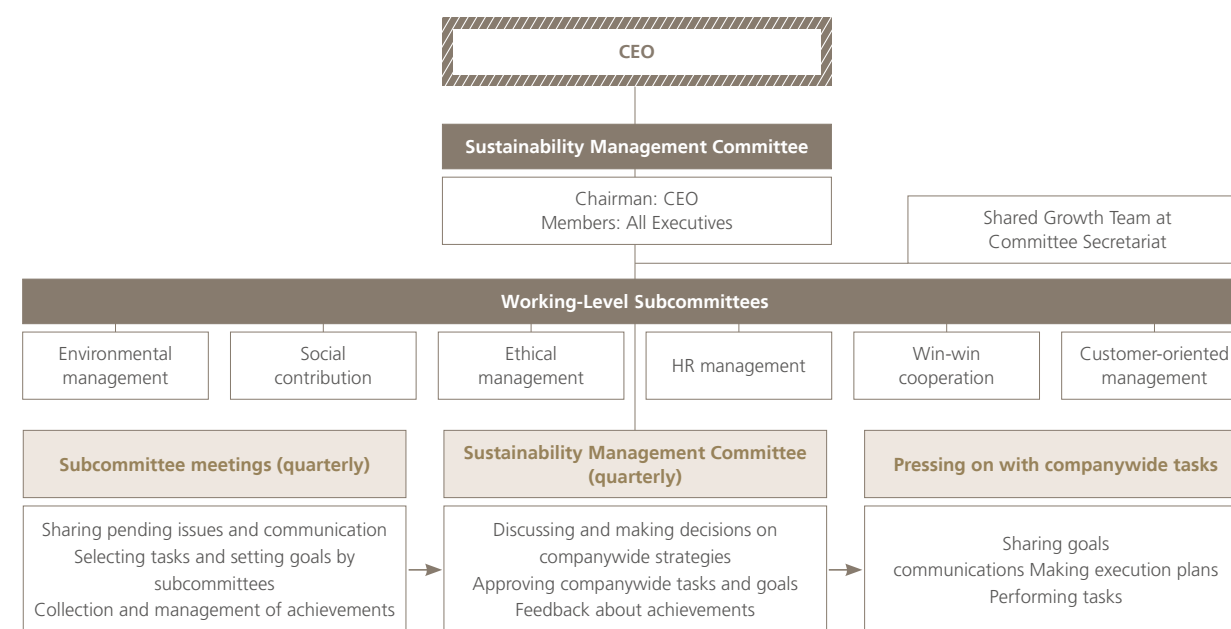
Elements of Sustainability Management

Lotte Shopping is managing elements of sustainability management in terms of economy, society, ethics and the environment. For the balanced management of these four elements, we are making efforts to maintain our status as a company excellent at sustainability management.

Elements of Lotte Shopping's sustainability management



Organizational Chart of Sustainability Management Committee



CSV-Specialized Organization

Lotte Shopping established an integrated CSV management system under the auspices of the Mutual Growth Team in the External Cooperation Office of the Marketing Division. Based on this, we are promoting companywide CSV activities. The Sustainability Management Committee consisting of six working-level subcommittees share CSV goals and achievements. Moreover, the Mutual Growth Team publicizes Lotte Shopping's CSV activities by annually producing a sustainability report showing its activities and performances in each sector.

The Mutual Growth Team is carrying out social contribution activities with various themes. A wide array of green campaigns have been held by the team since the declaration of environmental value management in 2004. They have been steadily implementing sharing activities for the marginalized as well. On top of that, they are cementing Lotte Shopping's status as a global distribution player by putting spurs to localized social contribution activities in Mongolia, Vietnam, Indonesia and Myanmar.

Lotte Shopping Sustainability Reports by Year



2004

2005~2006



2007~2008

2009



2010

2011



2012

2013



2014

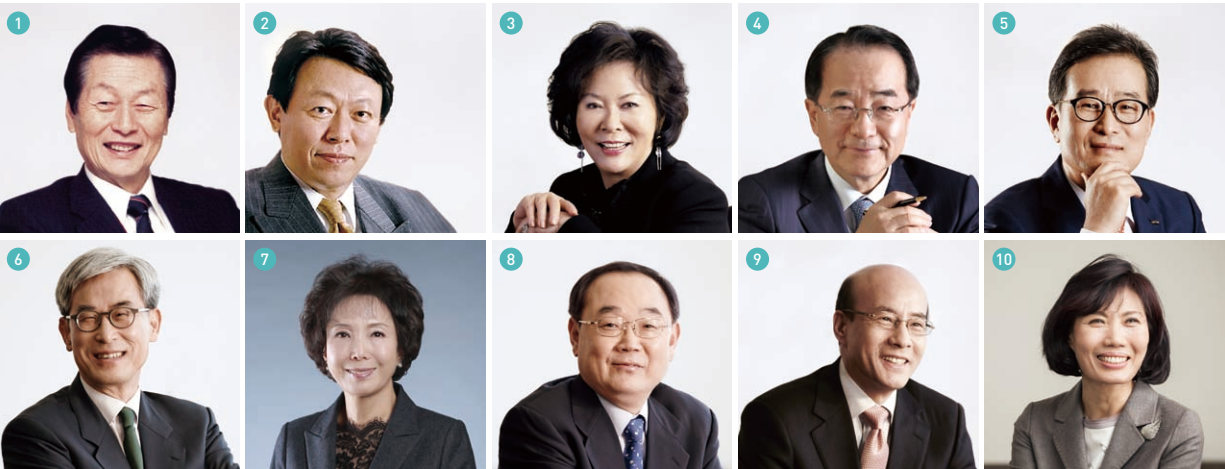
Sound Corporate Governance

Lotte Shopping is making endeavors to establish transparent and sound world-class corporate governance via rational and transparent management and professional and sincere decision-making. The Company enhanced the transparency and speciality of the BOD by bringing in experts in various sectors and operating specialized committees within the BOD.

BOD Composition

The BOD comprises of 10 directors, five of whom are outside directors ensuring the transparency of corporate governance. LEE WON-JOON, President and CEO of Lotte Shopping is the chairman of the BOD. Replacing two outside directors whose terms expired, MOON JUNG-SOOK, a professor of consumer economics at Sookmyung Women’s University and KANG HYE-RYUN, a professor of business administration at Ewha Womans University was appointed as new outside directors in the 45th general shareholders meeting held in March 2015. Qualifications for outside directors are pursuant to Section 3, Article 382 and Section 2, Article 542-8 in the Commercial Act. Moreover, the total remuneration ceiling for the directors is subject to approval by the general shareholders meeting.

Composition of Lotte Shopping's Board of Directors (as of July 2014)



BOD Committees

Lotte Shopping sets up the Outside Director Recommendation Committee, the Audit Committee and the Inside Trade Committee under the BOD to ensure transparency and check senior management’s ability and expertise in overseeing economic, environmental and social activities. The Outside Director Recommendation Committee nominates candidates for outside directors who represent the interests of shareholders in order to improve management transparency. The committee, composed of one inside director and two outside directors, held a meeting twice in 2014. The Audit Committee is comprised of three outside directors and held a meeting six times in 2014. In addition, one inside director and two outside director serve on the Inside Trade Committee which held a meeting five times in 2014.

Remuneration for BOD Members

Remuneration for the BOD dispends clearly within the directors’ Remuneration ceiling approved by the general shareholders meeting. The approved ceiling by the GSM in 2013 was 11 billion won, the same as the previous year and the amount paid out was 6.74 billion won.

BOD Meeting & Attendance Ratio of Outside Directors (in 2014)

Occurrence	Date	Attendance
1	2014.01.09	6/6
2	2014.01.29	6/6
3	2014.02.06	6/6
4	2014.02.27	6/6
5	2014.03.21	6/6
6	2014.04.10	6/6
7	2014.04.24	6/6
8	2014.05.08	6/6
9	2014.05.22	6/6
10	2014.06.10	6/6
11	2014.07.10	6/6
12	2014.07.21	6/6
13	2014.08.14	6/6
14	2014.08.19	6/6
15	2014.09.11	6/6
16	2014.10.07	6/6
17	2014.11.13	6/6
18	2014.12.19	6/6

Category	Name	Major Career	Recommended by	Positions in BOD
1	SHIN KYUK-HO	General Chairman of Lotte Group	BOD	CEO, Inside Director
2	SHIN DONG-BIN	Chairman of Lotte Group	BOD	Inside Director
3	SHIN YOUNG-JA	Chairman of Lotte Foundation	BOD	Inside Director
4	LEE IN-WON	Vice Chairman of Lotte Group	BOD	CEO, Inside Director
5	LEE WON-JOON	President and CEO of Lotte Shopping	BOD	CEO, Chairman of the Board, Chairman of Outside Director Candidate Nomination, Chairman of Inside Trade Committee
6	KWAK SU-KEUN	Professor at Seoul National University	Outside Director Candidate Nomination	Chairman of Audit Committee, Member of Audit Committee
7	MOON JUNG-SOOK	Professor at Sookmyung Women’s University	Outside Director Candidate Nomination	Chairman of Audit Committee, Member of Inside Trade Committee
8	KO BYUNG-KEE	Former Executive Director at Lotte Aluminium	Outside Director Candidate Nomination	Chairman of Audit Committee, Chairman of Audit Committee, member of Outside Director Candidate Nomination Committee
9	KIM TAE-HYEON	Attorney at Law Firm Yulchon	Outside Director Candidate Nomination	Chairman of Audit Committee, Member of Inside Trade Committee
10	KANG HYE-RYUN	Professor at Ewha Womans University	Outside Director Candidate Nomination	Chairman of Audit Committee, Member of Outside Director Candidate Nomination Committee

Ethical Management

Lotte Shopping is putting its mind to establishing ethical values and a fair trade culture with a view to growing into a global distribution company. The Company is urging employees to put ethical management into practice at work and in their everyday life by establishing ethical behavior rules and detailed guidelines, standards for ethical judgments and behaviors.

Lotte Shopping's Ethical Management Highlights by Year

Step 1

Ethical management declaration and guidance (2000~2001)

- 2000
 - Proclaimed ethical management (October)
 - Established Ethical Committee
- 2001
 - Proclaimed Code of Ethics
 - Proclaimed fair trade compliance (September)

Step 2

System construction and operation (2002~2010)

- 2007
 - Established detailed instructions
 - Produced and distributed guideline pocketbook
- 2008
 - Produced ethical manual
 - Conducted education at worksites
 - Held campaign

Step 3

Establishment of ethical management in corporate culture (2011~2013)

- 2011
 - Ethical management commitment
- 2012
 - Declared ethical management implementation
 - Established hot line
- 2013
 - Conducted education for mutual respect
 - Self-diagnosis of work
 - New position in charge of overseas ethical management

Step 4

Pre-emptive prevention and diffusion of ethical management (2014~)

- 2014
 - Newly established Ethical Plan Team
 - Proclaimed the Ten Ethical Commandments
 - Operation of Clean Center and Clean Cards
 - Signed integrity-based trade agreement

Lotte Shopping Code of Ethics

Promise to customers	Customer respect, customer satisfaction and customer trust
Responsibility towards shareholders	Management integrity, transparency and shareholders' right to know
General Ethics of employees	Compliance with laws and regulations, good faith, mutual respect and competency development
Ethical relations with partners	Fair trade, mutual development, prohibition of unethical conduct against partners
Responsibility for the nation and society	Sound business conduct, prohibition of political activities, environment-friendliness, safety and accident prevention

Lotte Shopping's Detailed Guidelines about Ethical Behaviors

Category	Highlights
Attitudes toward customers	Pursuing customer satisfaction by always respecting customers and continuously creating customer value.
Doing job fairly and objectively	Complying with company policies and regulations and focusing on the eradication of inefficient, unethical and irrational behaviors.
Partner relationship	Transparent and fair business practice with partners to build mutual trust and mutual growth
Ban on embezzlement and asset misuse	Prohibiting embezzling money from the Company and misusing its assets to make personal profits.
Protection of company information	In accordance with the Security Management Provision, the Company's tangible and intangible assets including intellectual property should be actively protected.
Social responsibilities	All employees have responsibilities and duties to respect norms for sound business activities and social value and promote the safety of their company.

Ethical Issue Resolution Process

Lotte Shopping has a sense of duty to comply with law and apply society's ethical expectations to its decision-making and actions. Accordingly, we built a system that can promptly and effectively respond to ethical issues for corporate social responsibility.

Ten Ethical Commandments

In May of 2014, Lotte Shopping established the Ten Ethical Commandments and posted its posters companywide. The company suggested rules about safety, information protection, anti-mutual growth behaviors and unethical acts among others through the commandments.

Ethical Guidebook

Lotte Shopping produced and distributed Ethical Guidebook which enables employees to ride out ethical dilemmas in their company life. The guidebook is quite apprehensible since it suggests ethical guidelines through Q&As about the company, customers and stakeholders and offers checklists for ethical levels by themes. The guidebook was sent to major partners to publicize our ethical management activities and lead them to participate.

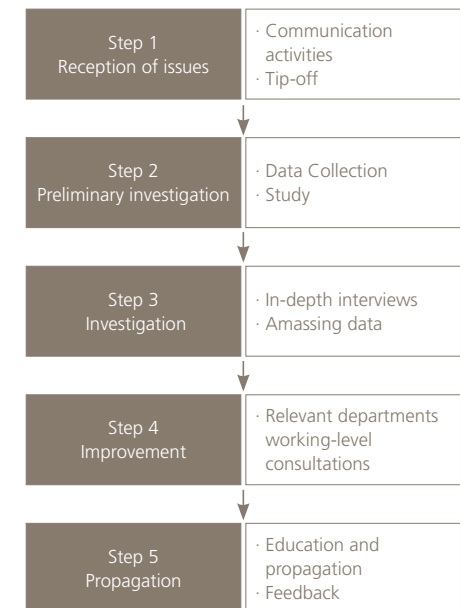
Fair Play-Based Management Education

We conducted fair play-based management education programs for all employees with a view to raising employees' ethical awareness and establish a fair play-based management culture. The head, team leaders and managers of the Ethical Management Division provided practical education such as the ethical management system and unethical case studies by paying a visit to the headquarters and branches. From September to October 2014, all of our 5,000 employees were given education about Lotte's future competitiveness, the concept of ethical management, unethical cases and Lotte Shopping's ethical management. The program was conducted a total of 55 times.

Job Ethics Course

Lotte Shopping conducted customized ethical education programs about CMD and purchase work with high ethical risk in partnership with specialized organizations. The company precluded risk by enabling employees to recognize unethical behaviors by job types in advance and created a common bond about ethical management via case-oriented education. The education was given to those in charge of purchase in October and CMDs at the Product Division in November 2014. We also helped employees understand right decision-making on the horns of an ethical dilemma and shared growth by making good use of the Anti-Corruption and Civil Rights

Ethical Issue Resolution Process



Ethical Management Campaign - Ten Ethical Commandments



Job Ethics Course

Commission's customized education on corporate ethics and inviting professional lecturers. Job education paralleled them to reinforce employees' job specialties.

Internal Reporting Process

When a tip is received through the ethical reporting channel, the tip is classified into unethical, inefficient or irrational cases and delivered to the manager of each category. In the case of an unethical practice, the Company investigates whether that tip is true and makes feedback about it. If a case cuts across inefficiency or irrationality, we analyze and look into it after determining its type. Therefore, we devise improving measures to address the case.

Clean Lotte Campaign

Lotte Shopping held the "Clean Lotte Campaign" by themes for the establishment of a sound corporate culture and ethical management. The company prevented unethical behaviors by conducting education programs and campaigns in seasons with ethical issues such as holidays and vacations, and publicized ethical management activities to encourage not only employees but partners to take part in them. Our use of persistent campaign names of "clean plus themes" such as Clean Vacations and Clean Holidays could boost the recognition and publicity of the campaign.

Progress

"Clean Vacation" Campaign (July)

Guidance on "Clean Vacation" checkpoints, ban on receiving valuables and favors from partners and so on

"Clean Holiday" Campaign (August)

Clean holiday culture, ban on receiving gifts, work guidelines before holidays (gift certificates, delivery), etc.

"Clean Communication" Campaign (September)

Use polite language, the correct designation, mutual respect among employees, etc.

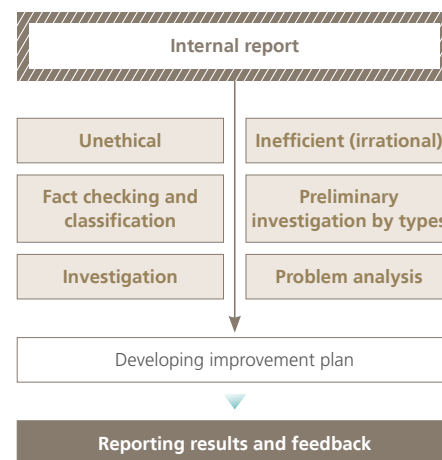
"Clean Holiday" 100-Day Project Campaign (November 2014 to February 2015)

Selecting year-end season as intensive management period and creating sound holiday culture

Unethical Case Reporting System

Lotte Shopping has introduced and is running the "Clean Center" through which employees can return money or gifts from stakeholders to them. In the case that a giver is confirmed, the center makes a call to the giver and sends the money or gift to the giver with a letter. If a giver is not clear or a gift (eg. fresh food) is not returnable, the center donates it to welfare centers. This program roots out unethical behaviors such as taking bribes and informs partners about our will for ethical management. In addition, our 24-hour Ethical Counseling Center receives reports about unethical cases.

Internal Report Process



Ethical Hot-Line

Reception via internet
 Reporting channel of Lotte Group, Ethical Management Secretariat (reporting corner on homepage, reporting channels of EDI System, Purchase System, homepage of Product Division, Ethical Management Secretariat in Appointment Management System)

Reception by phone
 New phone number for receiving reports (02-2118-2118)

Reception by mail
 701, Solar Building, 28 Sogong-dong, Jung-gu, Seoul (100-721)

Reception by e-mail
 ethics@lotteshopping.com

Reception via in-house messenger
 Ethical Hot-Line in corporate messenger system

“이제는 말하세요”

「윤리상담센터」가 도와드리겠습니다

☒ 부당한 대우를 받으셨나요? ☒ 비윤리 행위가 일어났나요?
☒ 폭언·욕설·인격모독성 발언을 들으셨나요?

E-mail gamsae@lottemart.com Tel 02-2145-8031~3
 Mobile 010-7199-6207(24시 운영) Fax 02-2145-8592
 주소 서울특별시 송파구 올림픽로 269(신천동, 롯데캐슬골드) 7층 윤리경영 1팀

*상담기와 상담내용은 철저하게 보호되며, 상담으로 인하여 어떤 불이익도 받지 않도록 보호해 드리겠습니다

LOTTE Mart

Ethical Awareness Poster

Introduction of Clean Card

Clean Card was introduced and rightful use standards were suggested to weed out the wrongful use of corporate credit cards. Lotte Shopping encouraged employees to use corporate credit cards in honor of fair play-based management by making a change in the design of the cards and adding the logo of fair play-based management to the design. The company disabled its corporate credit cards from being used from 00:00 to 05:00. They are made unavailable in 22 business types of five sectors (pleasure seeking, entertainment, leisure, hygiene and others) to rule out unfair use.

Evaluation of Ethical Management

Lotte Department Store carries out the evaluation of ethical management at the Product Division, the Sales Division and the Headquarters among others by asking partners and colleagues questions in concert with the government's anti-corruption units. The company is staining for the establishment of ethical culture by leading all employees to have ethical and pro-mutual growth minds and preventing risk via the evaluation of ethical management, fair trade and communication and the collection of opinions about them. Lotte Mart conducts a survey of all its partners on their satisfaction with business with Lotte Mart in concert with a professional outside organization twice a year. Based on the results of the survey, the company is implementing activities such as diagnoses of poorly performed items by teams and consulting by professional outside organizations. In addition, as part of efforts to give a boost to self-purification activities, we are holding various campaigns such as the "Voluntary Report Campaign" and the "No Traditional Holiday Gift Campaign" among others. Our ethical management is full swing with the active sharing of cases of punishments against unethical behaviors, regular education and more.

Integrity-Based Trade Agreement

Lotte Shopping signed the Integrity-Based Trade Agreement for the purpose of building a fair cooperation relationship with partners. Integrity-based trade agreements were struck between Lotte Mart and all of its partners which sign deals to open stores, supply products and provide construction and other services against unethical and unfair acts. The year of 2014 saw a total of 3,827 integrity-based trade agreements signed.

Conducting Ethical Management Activities with Partners

A wide array of activities is being carried out to actively diffuse our ethical management system to partners, encourage them to pitch in and receive outside stakeholders' opinions for the promotion of ethical management.

LOTTE DEPARTMENT STORE

롯데백화점 Clean 센터

고민하지 마세요! 「Clean 센터」가 함께합니다!

부당한 대우를 받으셨나요? 비윤리 행위를 보셨나요?
이해관계자에게 의도치 않게 선물을 받으셨나요?

부당한 대우는 **공정하게!** 비윤리 행위는 **깨끗하게!**
이해관계자에게 받은 선물은 **신속하게!**
롯데백화점 「Clean 센터」가 처리해 드리겠습니다!

이제는 **말하세요!**
점 Clean 센터 (신사/자음 메디지)
전화번호 : 000 - 0000

윤리경영부문

Clean Center PR poster

LOTTE CARD Corporate Gold

LOTTE DEPARTMENT STORE

正道經營
롯데백화점이 앞장서겠습니다

4670

Month/Year

Visa

Clean Card

Sharing ethical management activities with partners

A. Sent "CEO's integrity message" (June, September and December)
 Sent CEO's letters about will for fair play-based management and communication to partners

B. Sent "letters about fair play-based management" (October and December)
 Sent e-mail about will for fair play-based management and integrity-based trade agreements

C. Took tour to listen to partners' voices (September and November)
 Visited partners for consultations and opinions

Innovative Culture

Lotte Department Store is taking the lead in creating a creative organizational culture by expanding an innovative omni-channel which integrates online and offline channels and strengthening employees' communications and innovation activities. Lotte Mart improves its business structure and work process via Lean innovation activities which the company implemented for the first time in the Korean distribution industry. The improvement continues to bear fruit.

Smart Pick Service

Lotte Department Store launched the Smart Pickup Service through which customers pick up what they ordered online (eg Lotte.com and Ellotte) at nearby branches of Lotte Department Store in April 2014. This service has expanded to all branches of Lotte Department Store, Lotte Mart and Lotte Super. The fast and convenient pickup service brought about 8,000 new customers and swelled sales by 3.1 billion won a year. In the future, we will realize an omni-channel through which cross pickups are possible by integrating online and offline channels and mobile environments of Lotte Group companies and furthermore, their distribution environments.

Smart Beacon Service

Lotte Shopping has been operating the "Beacon Service," a location-based mobile service since developing it for the first time in the industry in December 2014. The service offers store maps, various shopping information and F&B discount coupons as well as sends welcoming and farewell messages to customers based on their locations. The service effectively guides customers inside and around stores, making paper guide maps useless. The Beacon Service is currently available at all of Lotte Department Store branches. The innovative service is well received by customers since an average of about 20,000 customers use Beacon Service coupons a day.

Introduction of China's "Alipay" Payment System

With an eye towards securing increasing Chinese tourists and a competitive edge, Lotte Department Store introduced the Alipay Payment System, the most popular mobile payment solution in China, a first for a department store in Korea. Users of this system connect a smartphone application to their bank accounts or credit cards and can conveniently pay with the application's bar codes only. This system allows Chinese customers to pay faster than previous payment methods,



Smart Pick Desk (Daejeon branch)



Beacon Service



Introduction of Alipay Payment System

simplifying tax rebate procedures. We are planning to implement various marketing for Chinese people via the Alipay application and innovatively deal with changing payment environments.

Idea Popcorn

Idea Popcorn, an open source venue for communications for knowledge exchanges, is a system which gathers and saves employees' innovative and creative ideas, shares excellent cases related to achievements and promotes horizontal communications. The system encourages all employees to participate in management innovation. Since its launch in June 2009, a total of 31,023 ideas have been proposed. We also promoted various Idea contests such as "cost saving," "customer happiness service/marketing," "sales system improvement" and "enhanced profitability" to promote the participation of our employees with creative ideas. To promote the employees' working innovative mind, various awards will be given to individuals and departments for outstanding ideas, examiners and those of implemented ideas and 222 employees have been rewarded with about 10.3 million won in 2014.

Operating First Innovative Management TF Team

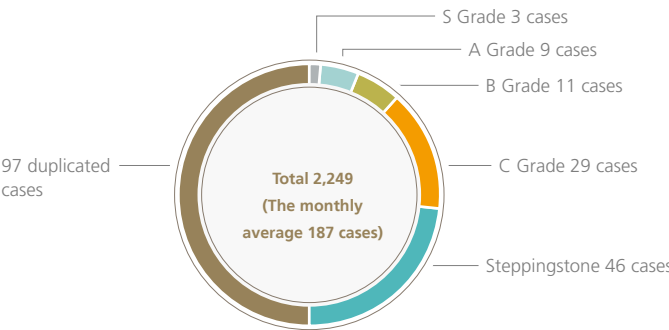
Lotte Department ran the first Innovative Management TF Team for about five months from July to November 2014 as part of its innovative management for sustainable growth. The team's weekly TFT meeting and workshop led to discussions about ideas about companywide work innovation such as an improvement to work processes, the enhancement of corporate competitiveness and the operation of customer-oriented stores. As a consequence, the team derived a total of 12 (six each by the sales and support groups). Like this, Lotte Department Store is going to great pains to gather the opinions of people in the field and develop companywide innovative ideas and practical strategies. What is more, we have been putting the second team into place to push for steady innovation since February 2015.

Shopping Improvement Activity

Shopping Improvement Activity is Lotte Mart's unique innovation activity through which problems found by all employees during their shopping are reflected in customer-centric management and internal work improvement. An average of about 600 ideas have been registered a month

since May 2007. Up to 2014, the campaign has generated a total of 83,507 ideas and among them, 24,231 were put into practice. The campaign accomplished better product qualities, assortment expansion and new event planning, boosting the Company's power to lead customers and products trends. At the same time, the activity earned the Company a total of 17.1 billion won. The shopping program picked up the Grand Prize in the corporate sector at the Korea Idea Management Conference for three straight years and the Best CEO Prize at the Korea Idea Management Awards for the first time in the distribution industry.

Idea Popcorns in 2014



Category	Status
Participation	Proposers: 1,136 Judges: 97
Implementation	15 out of 23 excellent ideas were put into action Detailed implementation: 7 completed and 8 underway Amount of rewards: 10,332,000 won
Rewards	Those who received rewards: 222



Innovative management

Next-Generation CRM System

Lotte Department’s redevelopment of the CRM System in 2014 bolstered customer analysis and relation management. The new Customer Analysis and Campaign Systems reinforced marketing by analyzing customers’ shopping history and patterns. The new Excellent Customer Management System is taking special care of VIP customers. Besides, we are running a differentiated management program that meets customer needs by utilizing various data such as information that interests customers.

Marketing Sitting Well with Customers’ Shopping Propensities

Lotte Department Store is implementing customized marketing which caters to customer needs by introducing Shopping Age Model and Shopping Spirit Model based on the characteristics of customers’ purchases. The company presumes customers’ shopping ages by utilizing their purchase brand information. We also contribute to customer satisfaction by deriving their shopping propensities via the combination of customer and brand characteristic indices and conducting accurate customized marketing that fits personal preferences.

Management of L.POINT Members

Lotte Department Store generally analyzes customers’ purchase histories and accumulates CRM data by customers’ lifestyles through L.POINT Cards. The company is offering customized services that cater to customer needs such as the management of DM, invitations to various events and promotions and the selection of excellent customers and offering benefits to them by utilizing data collected in this manner. By steadily developing new analysis models in the future, we will implement the best customized marketing and service that can meet customer needs based on data analyses segmented by customers.

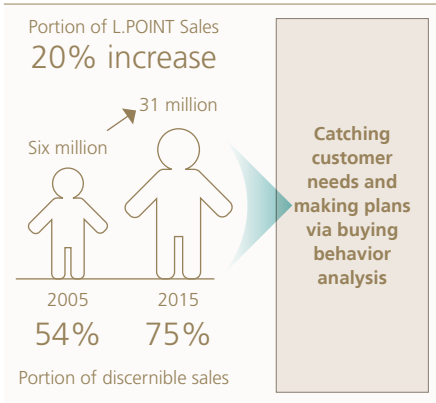
Lean Program’s Differentiated Activities

Lotte has been trying differentiated innovation management for the first time in the domestic distribution industry by applying the US MIT’s Lean Program based on Toyota’s production system since 2007. This innovation relocates physical assets and resources by making an improvement to the operation system. Therefore, waste of assets and resources is done away with and efficiency is maximized. Besides, we are optimizing our business structure and work processes by improving management infrastructure, the basis

CRM System-Based Customer Management

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

Status of L.POINT Members



for distribution, such as SCM and logistics. Furthermore, in order to keep innovation going, we do not stop conducting education programs to change employees’ consciousness and reinforce their capabilities.

Lotte Mart’s Innovation 3.0

Lotte Mart achieved the specialization, simplification and standardization of work via anti-waste activities based on the Lean Program from 2007 through 2012. In 2013, its Innovation 2.0 activities drove self-controlled implementation to expand innovation activities all over the company. At the moment, Innovation 3.0 activities are being conducted across the board to maintain an innovation activity system for all employees and discover new customer needs.

Self-Controlled Implementation Activities

We have been conducting self-controlled implementation activities with the active participation of all employees since 2013. A monthly meeting to share self-controlled implementation selects and announces five excellent cases, bestowing prizes on those involved in the cases, steadily inciting employees. This program handled upwards of 38,000 tasks until 2014. 70 excellent tasks were shared among employees.

Educating and Fostering Change Agents

We began change management education for branch heads and team leaders in 2011. Since 2013, all employees have been receiving this education both online and offline. Employees become change agents if they carry through innovation activity education via this course. Now, over 1,000 change agents are active at each unit.

Advancement into "Tmall Global" in China

Lotte Mart opened a domain on the Tmall Global website run by the Alibaba Group for the distribution of leading overseas brands in China, a first for a Korean discount chain. Processed food, everyday goods, electric rice cookers and red ginseng extracts at discount chains in Korea are hot shopping items among Chinese tourists. At the same time, the Chinese online market is growing over 40% annually. Lotte expects to expand Korea’s export markets by taking the lead in Korean products’ direct sales to overseas customers by way of its entry into the Chinese online market.

Lean Program

Step 1

Introduction

2007

• Started consulting by McKinsey

2008

• Independent Lean Innovation activities
- Site improvement area / HQ improvement projects

Step 2

Maturity

2009

• Accelerated Site Kaizen roll-out

2010

• Expanded HQ improvement area

2010

• Started Kaizen at 14 acquired GS stores

2011

• Implemented Pull Kaizen at HQ

2011

• Promoted Change Agent companywide
(Motivated all employees to participate)

Step 3

Diffusion

2012

• Implemented Kaizen at all stores

2012

• Carried out innovation projects by organizations

2013

• Built autonomous innovation system by organizations

2013

• Maintained existing innovation performance and diffused innovation

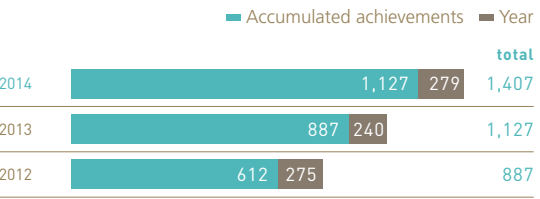
2014

• Diffused autonomous innovation system by organizations

2014

• Gave boost to worksite-centric innovation activities

Lotte Mart’s Annual Financial Achievements by Innovation (Unit: 100 million won)



02

THINK BIGGER SATISFACTION

Customers and Products

Expanding Customer Satisfaction

There is no end to Lotte Shopping's challenge to realize customer satisfaction. With customers at the center of our management, we think, study and act for customers from the start to the end. We offer various products from around the world and differentiated services ahead of others. Furthermore, we fastidiously consider customers so that they will be able to stay healthy and safe beyond joyful shopping. It is our mind to value customers to realize future shopping via an omni-channel strategy with the convergence of online and offline earlier. We will bring happy experiences and rich life via bigger customer satisfaction that only Lotte Shopping can create.

Lovely life



943

2014 Service Contest

Unit: cases

100

Greeting education (2014~15)

Unit: times

150

Sales of Eokedongmu Cooperative

Unit: 100 million won

Development of
joint brand
“Moaso”

Support for products made by
severely handicapped

LCSI

Study on and Development of
Customer Satisfaction

Healthy
Sleep Store

Plan to expand Healthy Sleep Shop
3 shops in 2014



Customer Service and Service Education

Lotte Shopping's top management and employees in charge gather customers' opinions and value them as data for the development of improvement strategies through the sharing of VOCs and meetings with customer advisor groups. Moreover, with the goal of improving services we are making various efforts such as implementing VOC improvement tasks, service enhancement contests and one-point clinics.

Sharing VOCs (Voices of Customer)

We fuel all employees' interest in the opinions of customers collected through the VOC System by sharing them regularly — daily, weekly, monthly and annually. VOCs from customers are uploaded to groupware, an internal system in real time. Hot weekly VOCs hit a message board of the groupware through the sharing of the “VOCs of the Week.” Moreover, monthly VOCs by branches and brands are counted and analyzed and sent to branches in the form of the “Monthly VOC Report.” At each branch, VOCs are reported to the head of the branch daily and to the headquarters via the Monthly Customer-Centric Management Report.

Meetings with Customer Advisor Groups

We hold meetings with customer advisor groups with the head, the leader of the Business Support Team, floor heads, service leaders and the MVG Lounge head of each branch. We conduct surveys of excellent customers about services and events by grading MVG customers at each branch in the same ratios. In addition, we are drawing benchmarking points and refer to them in improving customer service by regularly holding meetings between customers of other companies



Meetings with Customer Advisor Groups



Lovely Greeting Campaign

Sharing status of VOC with all employees

Category	Cycle	Contents	Channel	2013	2014
Online	VOC headline	· Major VOC sharing · Displaying year-on-year increase in dissatisfaction	Groupware	7,462cases	8,610cases
	VOC response speed	· Posting VOC System main screen · Principle of answering within 3 hours after reception	Groupware		Real-time posting
	VOC of the week	· Propagation of best and poor VOC cases	Appointment Management System based on groupware	-	13times
	VOC report	· Sharing major satisfactory, unsatisfactory cases · Sharing type-specific content, trend analysis	Groupware	12times	12times
Offline	Referring to service	· Sharing complain cases by PC on the scene	Morning gatherings and workshops	-	-
	Daily VOC report	· Reporting yesterday's VOCs to manager · On-site VOC coaching	-	-	-

and Lotte Shopping employees. These meetings were held every quarter in 2014. But in 2015, they expanded as monthly meetings for stronger communications with customers.

Lotte Customer Satisfaction Index (LCSI)

To solidify customer-centric management, Lotte Shopping set goals by making mid- to long-term service strategies and taking customer needs into consideration in connection with its visions and business philosophies. The company set annual goals and built an implementation system to tackle rapidly changing business environments. The Lotte Customer Satisfaction Index was developed for Lotte Shopping workplaces in 2015 and is being used. The LCSI System is able to diagnose customer satisfaction by branches and find out improvement directions by generally diagnosing human service, contact management, products and marketing and shopping environments. What is more, we established the Customer-Centric Service Evaluation System by having the LCSI System account for 80% in the evaluation of branch services.

LCSI Evaluation Items

Category	Evaluation Items	Points	Contents
Customer satisfaction (Out of 80)	Human services	30	Overall kindness of employees such as waiting attitudes and responses to customers
	Contact management	20	Evaluation of customer contacts such as guidance outside stores and parking
	Products and marketing	20	Product display and management and satisfaction via DM and events
	Shopping environment	10	Convenient facilities for customers and movements of shoppers

Service Education

We developed and are running regular and irregular service education courses in an effort to realize customer value. Those directly facing customers such as service leaders, MVG managers and the heads of the Customer Service Centers reinforced their customer service capabilities by completing specialist courses.

Service Leader Education

More specialized and segmented education is provided to service leaders managing service qualities at customer contact points than general managers at worksites to foster them

as specialists. Lotte Shopping carries out service education programs such as service manuals by contact points, responding to dissatisfied customers and store management manuals every quarter. In 2014, we enhanced internal lecturers' lecturing skills and pushed forward with on-site improvement activities with a focus on education by running the Internal Lecturer and Best Leader Training Course.

Education of Heads of Customer Service Centers

The Customer Service Center is a major contact point at which we address customer dissatisfaction and recover trust in its incipient stage. Therefore, the heads of the Customer Service Centers are given quarterly education to receive dissatisfied customers and legal education related to consumer policies. Every March, we elevate occupational specialties by giving a government-certified professional customer consultant test.

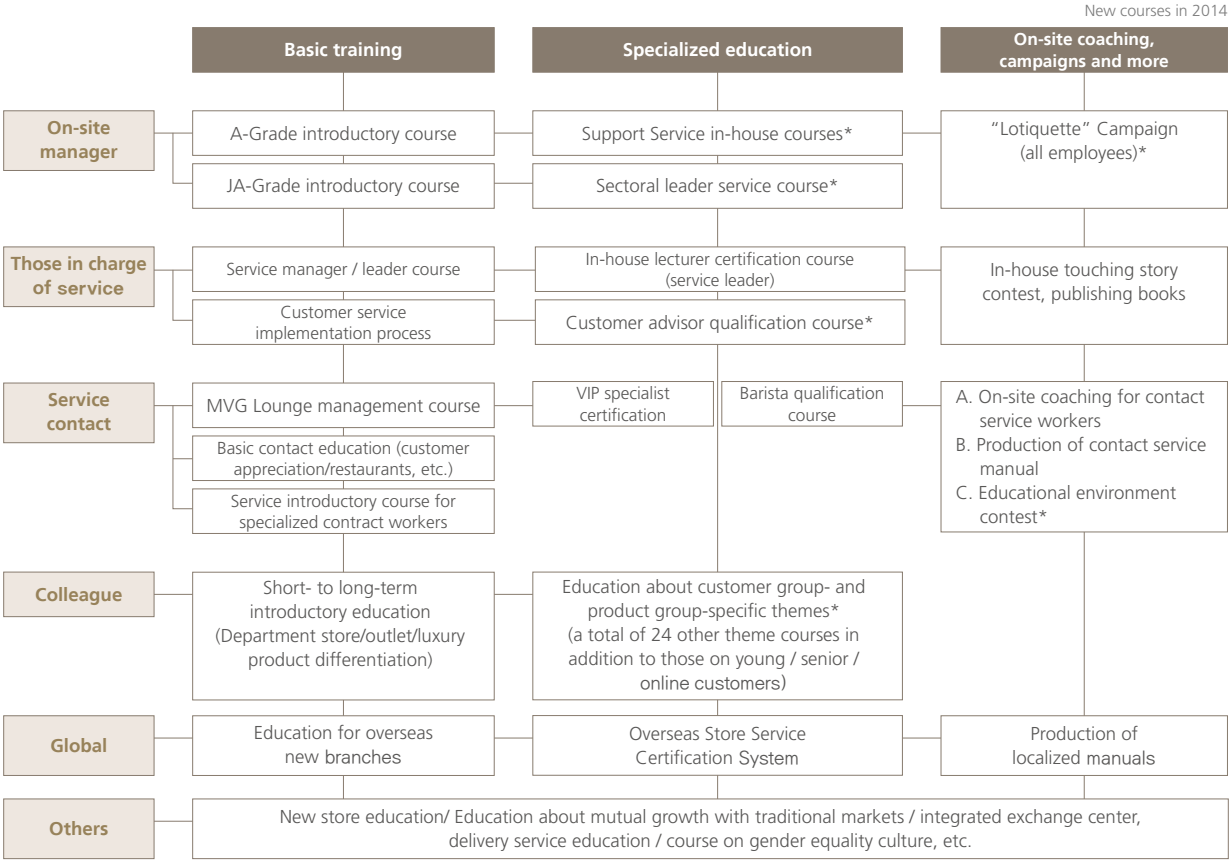
Lovely Greeting Campaign

Lotte Shopping has been steadily holding the Greeting Campaign, putting an emphasis on the basics of on-site service since 2014. In 2014, the company gave education to all employees through the “I Greet Customers First” Campaign. In addition, a greeting UCC contest was held to raise employees' awareness of the basic value of service. In 2015, a systematic greeting manual was established and distributed to all branches. Besides, we ramped up greeting education for workers at directly managed stores and colleagues to solidify the basics of service. On top of that, a greeting contest for all branches gives prizes to excellent floor heads.

Service Contest and One-Point Clinic

In addition to the development of companywide services and the establishment of manuals, Lotte Shopping elevated customer satisfaction through one-point clinics (324 cases) in 2013 and service contests (943 cases) in 2014 and the development of specialized services as for issues that required improvements by contact points. Excellent cases discovered via service contests were shared among all employees by way of service manager workshops, notices about electronic transactions and message boards of groupware.

Curriculum of position-specific service education



Healing Camp for Customer Satisfaction Managers

Lotte Mart has been implementing service level-up education for customer satisfaction managing service qualities at contact points with customers and holding Healing Camp for Customer Satisfaction Managers to motivate them and instill pride in their mind as CS managers since 2013. In 2014, a total of 50 customer satisfaction managers took part in a wide array of occupational specialty programs under the theme of "Wake Up CS Passion through Creativity" at Healing Camp at Creativity Academy on Nami Island.



Healing Camp

"Happiness Up" Program

Lotte Mart is running the Happiness Up Program to take care of the emotional labor and stress of employees who directly serve customers. This program targets all employees including temporary workers and is led by customer satisfaction managers who completed workshops. This program consists of a stretching class and emotional labor management and is conducted for 60 students at each branch once a year.

Customer Information Protection

After recognizing the importance of personal information, Lotte Shopping is reinforcing the protection of information in technological, physical and managerial aspects in order to protect personal information and prevent information leaks. On top of that, we are steadily monitoring internal security and nip related accidents in the bud by referring to customer information leak and hacking cases occurring frequently these days.

Introduction of New Information Protection System and Results

ECM System

Lotte Shopping introduced the ECM System to keep all internal documents and information from being leaked and strengthen internal security. The system saves all documents the integrated server at its data center and limits the use of external disks such as USB memory sticks and external hard drives. An employee should obtain approval from the head of his or her department before sending documents by email. As a consequence, we further strengthened a control of confidential information.

Introduction of Document Encryption Solution

Lotte Mart keeps unauthorized people off customer information by introducing a document encryption solution in order to build a technological environment for the protection of such information across the company. The Company is planning to gradually expand the sphere of customer information protection into overseas worksites.

Putting Information Protection in Place

With an eye towards abiding by all laws and regulations related to customer information such as the Personal Information Protection Act and the Act on the Promotion of Information Network Use and Information Protection, Lotte Shopping mandatorily revises its information protection policies (Article 158), information protection guide (Article 186) and information protection procedures (a total of 20 procedures in addition to a procedure of the operation of an information protection unit) each year. Revisions clarify information protection regulations that employees must follow (the latest

revision in February 2015). Besides, such regulations are posted online to make employees steadily refer to them and keep them in mind.

Education about Personal Information Protection and Achievements via Campaign

Lotte Shopping designated education about personal information protection, one of legally mandatory education subjects as a required online class employees have to take at least once a year. Lotte Department Store has had employees check their information protection on their own with checklists by designating the first Friday of every month as Information Protection Day since 2010. Information protection education is given to all employees once a month. Lotte Mart is leaving no dark corners where an information leak can occur by sending guidance letters to small and mid-sized partners and the agency which handles personal information on behalf of Lotte Mart.

ISO27001 Certification

In February 2011 Lotte Department Store received the ISO27001, a standard international information protection certificate, a first for a Korean department store. Since then, the Company has renewed it every year. The certificate works for online customer services (the culture center and homepage) and is quite meaningful in that it guarantees the security of the Company's Customer Information Management System. Lotte Mart also obtained the same certificate which holds for three years and covers its mall and culture center in October 2014.

Information Protection Committee

Lotte Shopping discusses the construction of an information protection system that befits international standards at the Information Protection Committee with the participation of those who are executives or higher once a quarter. The committee promotes the safe and effective management of customer information. In addition, committee members are exerting themselves to prevent a leak of customer information by sharing key issues related to information protection each quarter.

Product Development

Lotte Shopping is promoting an enjoyable consumer culture for customers by developing innovative products and expanding the variety of products. Its active product development sparks off a rise in profits and helps establish a sound consumer culture.

Development of Better Sleep Shop

Growth Potential of Sleeping Product Market

A spike in people’s interest in wellness and healing has driven up demand for products for better sleeping such as healthy pillows and functional beds. Our focus on this trend has kindled full-scale market surveys in 2013. Domestic and foreign case studies brought us to a conclusion that sleeping products including functional bedding had growth potential in Korea compared to overseas markets. We planned to open a total store in 2014.

Close Cooperation with Partners

We visited domestic expositions and conduct market surveys to select a partner that can realize the concept of Lotte Department Store’s sleeping product store. Multifarious efforts found us Sleep and Sleep Co. which took part in the Seoul

International Good Sleep held in August 2013 as our partner. Sleep and Sleep Co. is an affiliate of Evezary which ranks first in the domestic bedding market and has its own Sleeping Environment Research Center. The company and we shared the same view about a functional product shop and agreed to jointly develop one. Surveys of the advanced Japanese market rewarded with us an interior concept. Active product development gave birth to 300 items of 24 brands in seven product groups.

Opening First Healthy Sleep Store

After making full preparations, we opened Healthy Sleep Store, a total store which specializes in sleeping products for the first time in the industry in April 2014. We also additional stores at the Gwangbok branch and Dong Busan branch of Lotte Mall in Busan. In 2015, Healthy Sleep Store expanded into the Jamsil branch and the Daejeon branch. The innovative store not only offers sleeping products and accessories but also counsels about customers’ sleeping habits. Furthermore, customers can have their cervical vertebrae measured. The shop offers customized consulting by recommending the most appropriate pillows and pillow materials based on the measurement data. In the case of stores in the main branch and the Gwangbok branch in Busan which opened in 2014, their sales were up over 30% from the previous year in 2015. We are planning to steadily expand the store in the future and open “Healthy Sleep Store 2.0,” a compact booth for small and mid-sized stores which cannot introduce total stores.



Main branch Healthy Sleep Shop

"Eokedongmu" Cooperative for Partners' Competitiveness

Lotte Mart established the “Eokedongmu Cooperative” with the participation of nine excellent local SMEs to enhance the competitiveness of SMEs and support their growth and realize the value of mutual growth. What is more, the Company built a CSV value chain along with financial support of 130 million won via productivity innovation partnership. Thus, active supports went to the entire process of “Eokedongmu Tofu” from planning to production, marketing and sales. Such supports brought an increase of over 31% in sales and 15 billion won in total sales to small and mid-sized partners of the cooperative, realizing true “mutual growth” between a big distributor and small and mid-sized suppliers.

Development of Sobaek Mountain Dried Pollack

With the aim of meeting customer needs for safe food and fostering domestic dried pollacks, Lotte Mart developed Sobaek Mountain as a new producing area and developed “Sobaek Mountain Dried Pollack” in addition to Gangwon-do famous for its pollacks. An improvement in work systems and collaboration with new partners cut down on production cost. The development of local specialties and the creation of jobs contributed to the promotion of the local economy. Sobaek Mountain Pollack held first place in sales while outstripping other brands in one month after its launch. Its sales grew by more than 2.1 million won. What is more, in 2014, its annual sales swelled 53% year on year, indicating that Sobaek Mountain Pollack was not a fad product but a new hit product loved by consumers for a long period.



Eokedongmu

Joint Development of Instant Boiled Korean Rice

Amid a steady drop in domestic rice consumption and the expansion of the instant boiled rice market, Lotte Mart unwrapped four kinds of “Instant Boiled Korean Rice” in conjunction with small and mid-sized partners with a view to saving farmers distress and developing excellent products that meet customer needs. An improvement in the distribution structure slashed production cost and boosted the reliability of ingredients. A support of about two billion won including production facilities drove up sales and elevated customer satisfaction about the product.

Support for “Moaso,” Joint Brand for the Severely Disabled

Lotte Mart carried forward a brand package development support project for the promotion of small primary and secondary partners’ product development and sales in concert with the Ministry of Industry, Trade and Resources, the Commission on Shared Growth for Large and Small Companies and the Korea Institute of Design Promotion. In 2014, the company gave support to a total of ten companies by investing 330 million won. In particular, we actively cooperated in the development of “Moaso” for products by companies hiring seriously handicapped people which had difficulty building their independent brands. Besides, we greatly contributed to stabilizing the brand and ramping up sales by planning sales promotions and aiding them with various ISPs (in store promotions) and product display equipment, taking into consideration the fact that financial conditions impeded their new market development.



Special Eokedongmu Zone



Sobaek Mountain dried Pollack strips produced in Sobaek Mountain

Food Safety

Lotte Shopping is ensuring food safety to offer safe food for the health of customers. In particular, the Company is endeavoring to secure the safety of livestock products and seafood and prevent any food poisoning through special summer hygiene management.

HACCP (Hazard Analysis Critical Control Point) Certificate

In December 2008, Lotte Department Store received the industry's first HACCP certificate. HACCP is a food hygiene control system devised to block risk factors at each stage of a food supply chain, from the production of raw materials to production, processing, storage and distribution and to deliveries to final consumers. All workers at our HACCP-certified livestock products corner obey an intensive management manual. The corner runs a hygiene management program to block internal and external contaminating elements such as keeping the workshop journal, workshop temperature regulation, hygiene clothing standards, various microbiological testing, hygiene education, and cookware sterilization. The Company is leading the way in supplying hygienic livestock products via re-certification of 12 stores in 2014. Looking ahead, we will reinforce self-regulatory management and expand certified stores step by step across the board to lead a safe food culture.

Korean Beef Production History System

The Korean Beef Production History System manages information about the whole process from slaughter, processing and sale by attaching earmarks on cows and registering them in the Production History Support System at the Livestock Rating Center. Lotte Shopping has computerized information about the whole process of beef sold at its stores from production to distribution since May 2008. Therefore, customers do not need to worry about the safety of beef at our stores. Moreover, we are taking the lead in supplying reliable Korean beef by allowing customers to check production histories on the scene.

Hygiene Inspection

Lotte Department Store is steadily strengthening food hygiene management to root out food hygiene accidents such as

food poisoning to let customers comfortably enjoy shopping at food corners. Global warming has shortened spring and fall on the Korean peninsula and extended summer time. In 2014, the Company expanded the special summer hygiene management period (from April to September) by two months from 2013. At the same time, educational programs were given in order to upgrade food corner workers' capabilities. They are compulsory for managers at the Product Division and store managers. Hiring 27 food quality specialists bolstered the management of food hygiene. The Product Division is stepping up its efforts to secure food safety by joining forces with stores via on-the-spot hygiene inspections.

Lotte Mart operates various product safety programs to ensure food safety. Hygiene inspections are conducted in two types -- those by stores only and those jointly by stores and the Lotte Group Safety Center. Inspections by stores only are led by QSVs (Quality Supervisors) and check whether or not hygiene laws and regulations are abided by about fresh and processed food and give education to workers. Moreover, real-time evaluation systems at stores process inspections by GSVs into data which the Company uses as educational materials for employees. As for matters to be desired, guidance and inspections are conducted in connection with the Lotte Group Safety Center. Selected regional CQSVs (Chief GSVs) carry out activities to take care of new and poorly performing stores, helping the Company seek the overall enhancement of hygiene management.



QSV group photo



QSV hygiene inspection

Customer Safety

Lotte Shopping is dedicated to safety management for safe shopping. We minimize risk from facility use through various regular safety checks and steadily measure major air qualities in order to create a pleasant shopping environment. We are strengthening safety education and training for employees as well.

Air Quality Management

With the aim of providing a pleasant indoor environment, Lotte Shopping regularly measure and manages indoor air qualities at stores and indoor parking lots. This activity minimizes a risk of facility use and ensures the safety of facilities.

Related Law

Annual measurement of air qualities at stores in compliance with Indoor Air Act on Multi-Use Facilities (between February and June each year)

Measurement Results

The measurement results found out that all of its stores abided by legal standards on pollutants thanks to the efficient management of air conditioner filter maintenance (periodic cleaning and replacement) and ventilation equipment

How to measure and reduction measure

- How to measure
 - Following "Indoor air quality testing process method" of Ministry of Environment
 - Following self-made "Indoor air quality measurement specifications"
- Reduction measure
 - Strengthening management of filters for air conditioning, enhancing ventilation, management of cleanliness at parking lots, prohibition of car idling, etc.

Differentiated Safety Management

Lotte Shopping is putting its utmost efforts into safety management to create a safe business environment and enhance its image and competitiveness. In compliance with safety management policies, we actively introduce quarterly intensive safety management and the safety management system to worksites and make various safety education and training employees' routines.

Measurement targets - Lotte Department Store:
285 spots at 40 stores
Lotte Mart: 466 spots at 100 stores

Category	Details
Measure-ment spots	· Measured according to each area of both stores and indoor parking lot 10,000m³ or less: 2 spots 10,000 to 20,000m³: 3 spots 20,000m³ or more: 4 spots

Measurement items

Measurement period	Measurement items	Remarks
2013.02.20 ~06.30	Maintenance standard (4 items)	Carbon monoxide, fine dust, carbon dioxide, formaldehyde Once Per Year (completed in 2014)
	Recommendation standard (5 items)	Asbestos, ozone, radon, nitrogen dioxide, volatile organic compounds Once Per Two Years (completed in 2013)

2014 Results of Air Quality Measurement

A. Stores

Category	Legal standard	Average measurement	Compared to legal standard
Fine dust	150 $\mu\text{g/l m}^3$	51.6	34.4%
Carbon dioxide	1,000 ppm	646.9	64.7%
Formaldehyde	100 $\mu\text{g/l m}^3$	26.9	26.9%
Carbon monoxide	10 ppm	0.8	8.0%

B. Indoor Parking Lot

Category	Legal standard	Average measurement	Compared to legal standard
Fine dust	200 $\mu\text{g/l m}^3$	74.5	37.3%
Carbon dioxide	1,000 ppm	572.0	57.2%
Formaldehyde	100 $\mu\text{g/l m}^3$	15.9	15.9%
Carbon monoxide	25 ppm	2.0	8.1%



03

THINK DEEPER INTERACTION

Employees and Partners

Beginning Stronger Communications

Lotte Shopping grows with precious partners such as employees and partners. We generally support recruitment, HR development, performance management and welfare system in order to create great workplaces where employees can display their capabilities and realize their families' happiness. In addition, we help partners build their competitiveness and dream of a better future with us by preparing various systems for financial support, stronger communication and the creation of a fair trade culture and giving support. We will continue our steady growth while communicating better with employees and partners and creating a common bond.



80%

Rate of positive answers in
organizational culture survey

SME cooperative
Support for
establishment of
“Eokedongmu”

Selected as Korea's best shared
growth case

665

Specialized HR development
by Lotte Distribution College

Unit: persons

Store for SME
products only
“Dream Plaza”

Opened for first time in the industry

Main, Main Busan and
Jamsil branches

3,035

Supporting employees'
children with school expenses

Unit: persons

1,771

Support for Mutual Growth
Financing and Fund

Unit: 100 million won

Lovely life



Hiring Talent

Employees are not only our precious assets but our future. A lot of efforts are made to secure talent in all aspects such as recruitment, capability development and performance management. Both the company and employees are developing together since employees’ better capabilities are directly linked to the future of Lotte Shopping.

Competent Employees for Lotte Department Store

Lotte Department recruits people based on four points in order to grow with “Right People” rather than “Best People.” First, thinking with a focus on customers and placing customer value first. Second, not resting on his or her laurels and making efforts for a change. Third, enthusiastic talent: Doing their best to improve their work with positive thinking. Resting on one’s laurels and pessimistic thoughts hinder him or her from turning crises into opportunities. Fourth, understanding global trends with open minds and global business capabilities

Competent Employees for Lotte Mart’s Store

The core values of Lotte Mart’s employees are three - customer orientation, creativity and innovation and responsibility. First, customer orientation is a capability essential to the distribution industry. Employees can achieve customer satisfaction by serving customers based on customer needs, thereby building trust with them. Second, creativity and innovation enable employees find out new viewpoints and creative alternative plans with interest in new trends and technology. They are prerequisites in an era of competition. Third, responsibility is a capability to honor basics and complete duties with responsible attitudes. Employees are able to take responsibility for the results of their work.

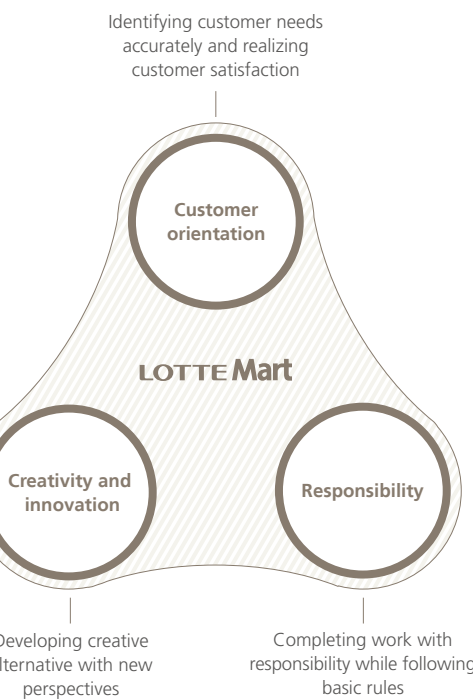
Recruitment of New Employees

Lotte Department Store hires new employees through a public recruitment system. Anyone with high school diplomas or higher degrees can apply for the process. Generally recruitment is held from April to May in the first half and from September to October in the second half. Lotte Group subsidiaries recruit new employees in the same periods. But their detailed procedures are slightly different. Lotte

Competent Employees for Lotte Department Store



Competent Employees for Lotte Mart’s Store



Shopping selects successful applicants through document screenings and integrated interviews (personality and aptitude tests, structured interviews, group discussions, interviews by executives and foreign language tests). The successful applicants must pass medical examinations before entering the Company.

Recruitment of Interns

Interns are chosen via the Lotte Group’s intern selection system. Lotte Shopping selects interns via paper screening, personality and aptitude tests. After finishing a group orientation, successful applicants work as interns for two months and are evaluated. Among them, final successful candidates are hired as new employees.

Recruitment Activities

With the goal of securing talent, we are carrying out various publicity and recruiting activities. In the second half of 2013, Lotte Shopping held a recruiting event on a campus in China, the first foreign market for the Company and implemented an internship program at a local store. In the first half of 2014, Lotte Shopping held its exclusive recruitment event for a better approach to job seekers in addition to a recruitment event hosted by the Lotte Group. We received more attention from job seekers with global capabilities via "Job Fair for Simultaneous Interpreters and Linguistic Talent" and "Global Job Cafe" in the first half of 2014.

Professional and Experienced Worker Recruitment

Lotte Shopping recruits experienced workers while focusing on positions that require expertise in a mid- to long-term

perspective. In particular, the company made headlines by recruiting seven lawyers from law schools in the legal support sector. In the future, we will aggressively bring in specialized human resources whenever it is necessary.

Bringing in Experts from Outside (Unit: persons)

Category	Men	Women	Remarks
2014	4	11	1 executive, 7 attorneys, 7 female team leaders at manager level
2013	2	4	1 executive, 1 attorney, 4 female team leaders at manager level
2012	-	6	6 women at team leader level
Total	6	21	

Recruitment under Flexible Work Hour System

Lotte Shopping hired workers under the Flexible Work Hour System to promote employees’ work-life balance. This was more meaningful in that the company recruited women who quit due to childbirth and childcare, treating them as equally as full-time employees. We will continue to recruit people under this system when necessary.

Employment under Flexible Work Hour System (Unit: employees)

Category	MVG Lounge	Gift certificate desk	Quality evaluators	Remarks
Number of persons	55	42	3	Full-time employment

Lotte Shopping Employees

Category	Unit	2011	2012	2013	2014
Total employees	persons	25,777	26,483	29,204	32,013
Men	persons	8,566	8,912	9,952	10,784
Women	persons	17,211	17,571	19,252	21,229
Ratio of female employees	%	66.8	66.3	65.9	66.3
New employment	persons	1,357	1,357	1,186	1,249
Men	persons	1,002	1,103	768	661
Women	persons	355	411	418	588
New employment	persons	446	481	496	635
Ratio of disabled employees	%	1.73	1.82	1.70	1.98

Overseas Talent Recruitment Policies

At Lotte Department Store, we are running a global manpower pool to play a leading role for overseas businesses operations. Every year we select candidates with excellent job performances and foreign language skills and this pool is usually two to three folds more than required. The selected candidates receive various educations about global knowledge and foreign language fluency as prospect resident employees. Then, we finally select outstanding candidates with excellent grades as resident employees.

Securing Excellent Local Human Resources

Lotte Shopping is making endeavors to hire excellent local human resources as a localization strategy for international business success. With an eye toward securing talent globally, we are slogging through active recruitment of graduates from prestigious Korean and foreign colleges and the implementation of internship programs for foreign students studying in Korea in addition to hiring talent who worked for local distributors.

Establishment of Global HR System

The steady expansion of Lotte Shopping's overseas business is accentuating the importance of building a global HR system for efficient local HR management. In addition to the efficient management of resident employees, we will steadily build and improve a globalized HR system such as the evaluation of local employees, their promotions and compensations for them.



Training of foreign local employees in Korea by inviting them to Korea

Overseas Employees (Unit: persons)

Category		2014			
	Dispatched from HQ	Portion	Local employees	Portion	Total
China	63	0.36%	17,594	99.64%	17,657
Russia	4	7.55%	49	92.45%	53
Vietnam	18	0.50%	3,554	99.50%	3,572
Indonesia	18	0.28%	6,521	99.72%	6,539
Total	103	0.37%	27,718	99.63%	27,821

Performance Management

Lotte Shopping runs a performance-based HR management system to let employees receive the rational evaluation of and compensations for their performances. Additionally, employees' performances are fairly evaluated in accordance with goals and criteria agreed on with each employee and systematically managed.

business performances in addition to basic salaries. Salaries are subject to grades based on employees' performance rating results. Individual and organizational performances differentiate incentives paid to motivate employees as much as possible. Since 2011, salaries and bonuses have been more differentiated to give employees proper compensations and more motivations.

Performance-Based HR Management System

Lotte Shopping is operating a performance-based HR management system to give fair compensations to employees through a clear evaluation and compensation system about personal achievement, competences and qualifications. Fair performance evaluations determines those who will receive cash compensation (differential salaries and bonuses) and get promoted (future HR development), producing a virtuous cycle of performance-based assessment. Cash compensations include additional incentives based on the assessment of yearly

Performance Management Process

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

Differential Salary Grades

Category		EX Grade (Excellent)	G Grade (Good)	AV Grade (Average)	NI Grade (Need Improvement)	UN Grade (Unsatisfactory)
Percentage		10%	15%	60%	10%	5%
SA or higher	Performance-Based Salaries Based on 650%	+150%	+100%	-	+150%	+300%

Differential Performance-Based Bonuses

Category				Individual evaluation (50%)									
				EX Grade		G Grade		AV Grade		NI Grade		UN Grade	
				10%		20%		40%		20%		10%	
				130%		115%		100%		85%		70%	
Team evaluation (50%)	EX Grade	20%	130%	130%		122.5%		115%		107.5%		100%	
	G Grade	20%	115%	122.5%		115%		107.5%		100%		92.5%	
	AV Grade	20%	100%	115%		107.5%		100%		92.5%		85%	
	NI Grade	20%	85%	107.5%		100.5%		92.5%		85%		77.5%	
	UN Grade	20%	70%	100%		92.5%		85%		77.5%		70%	

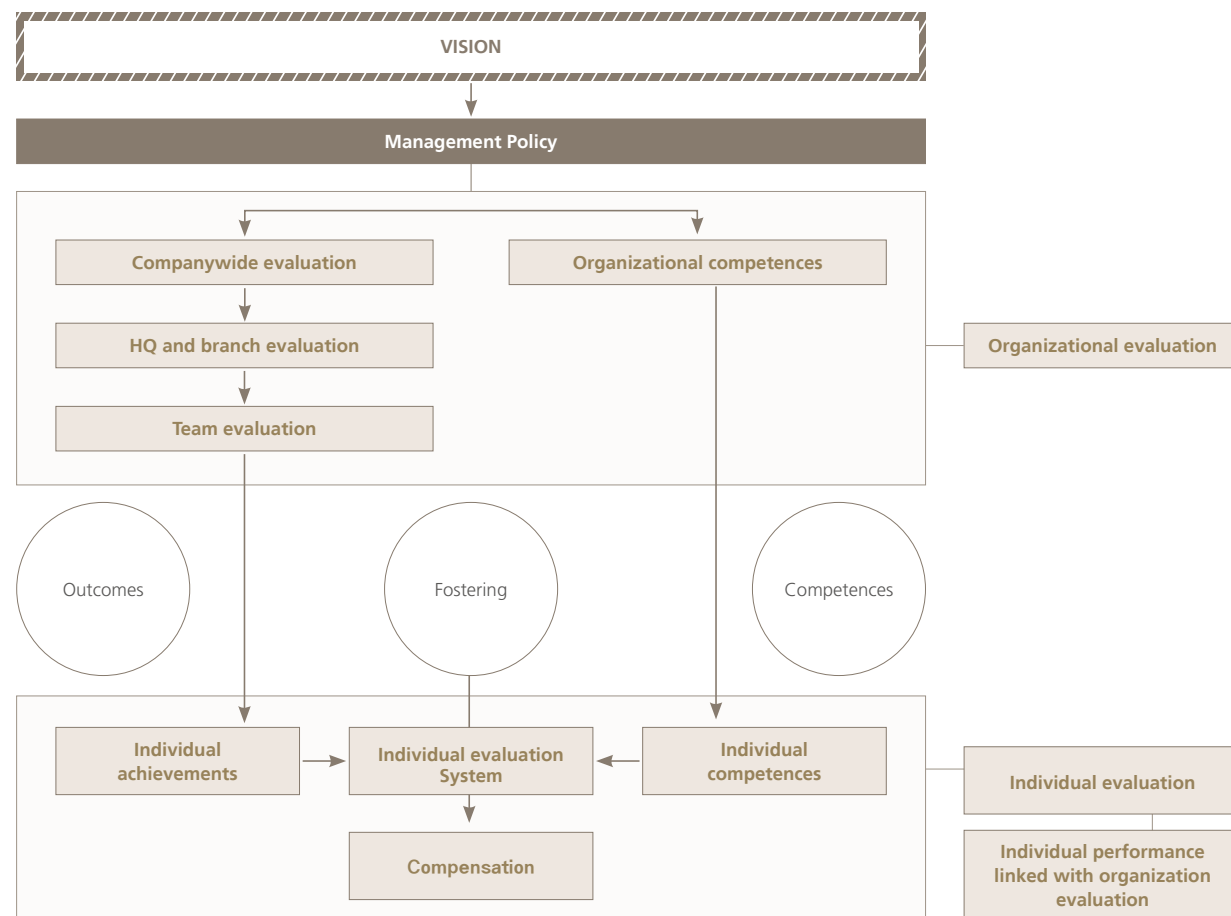
HR Development



Performance Management Process



Performance Management System



Lotte Shopping spare no investment and effort for the development of employees' ability. The company nurture distribution specialists by running various education programs with a focus on three capabilities – common, leadership and occupational capabilities. On top of that, the development of specialized human resources by nations gives a boost to its competitiveness as a global distribution company.

e-Learning Education

Aiming to become a global distribution leader, Lotte Shopping provides various forms of education programs online to beef up employees' job capacities. Lotte Shopping operates the e-Learning Training System for employees and encourage them to commit self-development regardless of time and place. The program offers over 1,000 courses such as business, computers, humanities, philosophy, and foreign language content. Students are evaluated in various ways - taking written tests and submitting reports among others - after taking online classes. The results of evaluations are given to them to help them supplement their study on their own. In addition, we make an improvement to educational contents or add new courses by catching employees' needs. We enhanced the quality of education by adding foreign language training via phones by foreigners in their countries. From January to April 2015, an average of 1,100 people took classes via the system, earning it a solid position as a universal education program for employees' self-development. The group's mandatory education for all employees is given online, saving the company cost for moving employees to other places to receive education.

Mobile Training Center "Acropolis"

Lotte Shopping has been running the mobile training center "Acropolis" since December 2011 beyond computer-based online education. The mobile learning program offers various categorized courses, satisfying students.

We identified the needs of employees who want to develop themselves by utilizing smart phones and are offering 480 mobile courses including management, the humanities and culture, "the Lotte Knowledge Forum" and "I Am a Lecturer" among others.

Global HR Development System

Fostering Prospect Resident Employees

Lotte Shopping selects a global manpower pool and conduct systematic educational programs to foster talented people who will play a leading role in the growth of overseas stores. Not only intentions but various criteria such performance evaluations, careers and foreign language skills will determine who will take the lead in business in China, Russia, Vietnam and Indonesia into which we made a foray among candidates. The selected candidates take classes about global knowledge, an understanding of nations that they will be dispatched to and foreign languages as prospect resident employees. Then, outstanding candidates who completed the course with excellent grades will be finally selected as resident employees.

Education of Overseas Human Resources

Stronger communications with local staffs should parallel active advancement into overseas markets. At Lotte Shopping, a wide variety of educational courses are being run to help overseas local employees better understand the Company and enhance their occupational specialties. As part of such efforts, we invite local employees at stores in China, Russia and Indonesia and give them opportunities to have hands-on experiences at worksites. The invited employees could amplify their capabilities and loyalty to their organization via visits to stores, intensive occupational education and organizational culture education. Besides, we are fostering local internal lecturers by giving education about teaching methods, lecturing practices and assessment to share Lotte's values and diffuse them there. These global internal lecturers play an important role in publicizing Lotte Shopping and Korea after returning to their home countries.

Overseas Education Plan

For the purpose of developing local human resources and instilling company loyalty in them, Lotte Shopping is bringing its energies to bear on establishing an overseas employee education system by closely cooperating with the HR Development Center.

We will pay much attention and provide full support to the implementation of four major education items - introductory education for new employees, core value education, ethics

education and job orientations - based on standardized modules.

Job Qualification Certification System

Lotte Shopping is running the Job Qualification Certification System under the Lotte Group to encourage employees to accumulate basic job knowledge and develop practical skills. For M2 to A Grade employees, the Company is running a total of 16 courses (strategic management, marketing, HRD, HRM, production management, financial accounting, retail sales, food sales, purchasing, MD Basic, Fashion MD, Food MD, PR, CS/CRM/CEM basic, logistics, e-biz). They systematically teach employees basic job knowledge to specialized knowledge required for being professionals. The certificate is given to those who pass offline tests after carrying through the online course. A total of 802 people completed the job qualification certification online course and 469 people passed the exam offline for three years from 2012 to 2014. Going forward, we will develop it into a system via which employees grow into specialists and manage their careers on their own.

Lotte Distribution College

Since 1994, Lotte Shopping has been operating Lotte Distribution College in order to cultivate distribution specialists with a broad understanding of the distribution business. Students can learn various parts of the distribution industry through various education programs such as one-year group training (distribution, marketing, MD and more) and overseas training. The college ultimately aims to foster core talent who will take the initiative in the future of Lotte Shopping. Its major educational directions are learning specialized distribution knowledge, communication through internal human exchanges and the construction of a study organization to address problems at worksites. Assistant managers and staff members at each department can apply to the college. The college admits excellent applicants with various experiences after checking their job performances, language skills, will to learn and reputations. Students have to take written tests about one-year-long theory education, make presentations

about their studies and conduct team projects to be evaluated in various manners. The results of the evaluation are used for performance ratings when they graduate. Moreover, high achievers are given opportunities to study abroad as well. The college has produced a total of 665 alumni by the 21st class since the first alumni of 28 people in 1995. In addition, by making presentations based on researches about five to six in-depth distribution strategies every year, they generate new ideals for growth engine and business improvement.

Reinforcement of MD Capabilities

Lotte Shopping gives practical education to new senior buyers and buyers who will start their MD work to help them accommodate themselves to new tasks through a three-step course. This program aims at empowering them to understand their product groups better and develop their specialties from various and new perspectives by teaching product trends and comprehensive relevant knowledge as well as basic practical contents.

1st Stage: Introductory Education

The first step is to provide two-day education to help new senior buyers and buyers adapt to their work. They learn practical work at the Product Division such as sales management, work procedures at the Product Division and online sales analysis and basic MD knowledge such as fair trade, the Win-Win Growth System and information protection in the first stage.

2nd Stage: Practical MD Work Course (MD Academy)

After the introductory education, students learn specialized MD knowledge by product groups. In 2013, they took grocery, food and consumer electronics classes and learn the latest trends and marketing strategies and more. The program proceeded with a focus on practical and detailed job-related education such as basic negotiation skills, annual MD schedules, new store and regular MD work and the management of brands in 2014.

- Fashion / Accessories (Trends and marketing strategies, VMD

strategy, international brands sourcing practices)

- Food (Food consumption trends and marketing strategies, food styling)
- Home Appliances (Latest lifestyle trends and related space styling)

3rd Stage: MD Master Course

The third and final stage in the education of new senior buyers and buyers enhances their specialties as MDs by teaching negotiation and persuasion skills basically required for MD work and reviewing the whole process from brand development to the inducement of brands from a practical point of view. In 2014, this course offered two classes -- a product development class and a direct purchase class. They zoomed in on content development and outlet compilation shop development and more voluntary and reinforced specialist development.

Support for Language Education

Lotte Shopping supports employees' learning foreign languages such as tuition fees for foreign language academies, internal language study programs and mobile courses. What is more, the company gives extra points to employees for their skills in six foreign languages including English, Chinese and Japanese in evaluating employees for their promotions. We will zero in on nurturing global talent with strong language proficiency required for the expansion of business into overseas markets. By offering various language learning opportunities in addition to the current programs such as mobile courses, we will provide foreign language education programs that befit our status as a global distribution leader.



Lotte Distribution College

Academy tuition support

(For staff members: Up to 150,000 won a month, for executives and branch heads: Up to 500,000 won)

Academy Tuition Support for Staff Members (Unit: persons)

Category	2014	2015 (April)
Number of applicants	55	40

Academy tuition support for executives and branch heads (Unit: persons)

Category	2014	2015 (April)
Number of applicants	31	14

Mobile courses

(Unit: persons) (listening via mobile application: English, Chinese, Japanese study)

Category	2014	2015 (April)
Number of applicants	50	154

In-house language courses

(Unit: classes) (English, Chinese, Japanese, Vietnamese, Indonesian, Russian study)

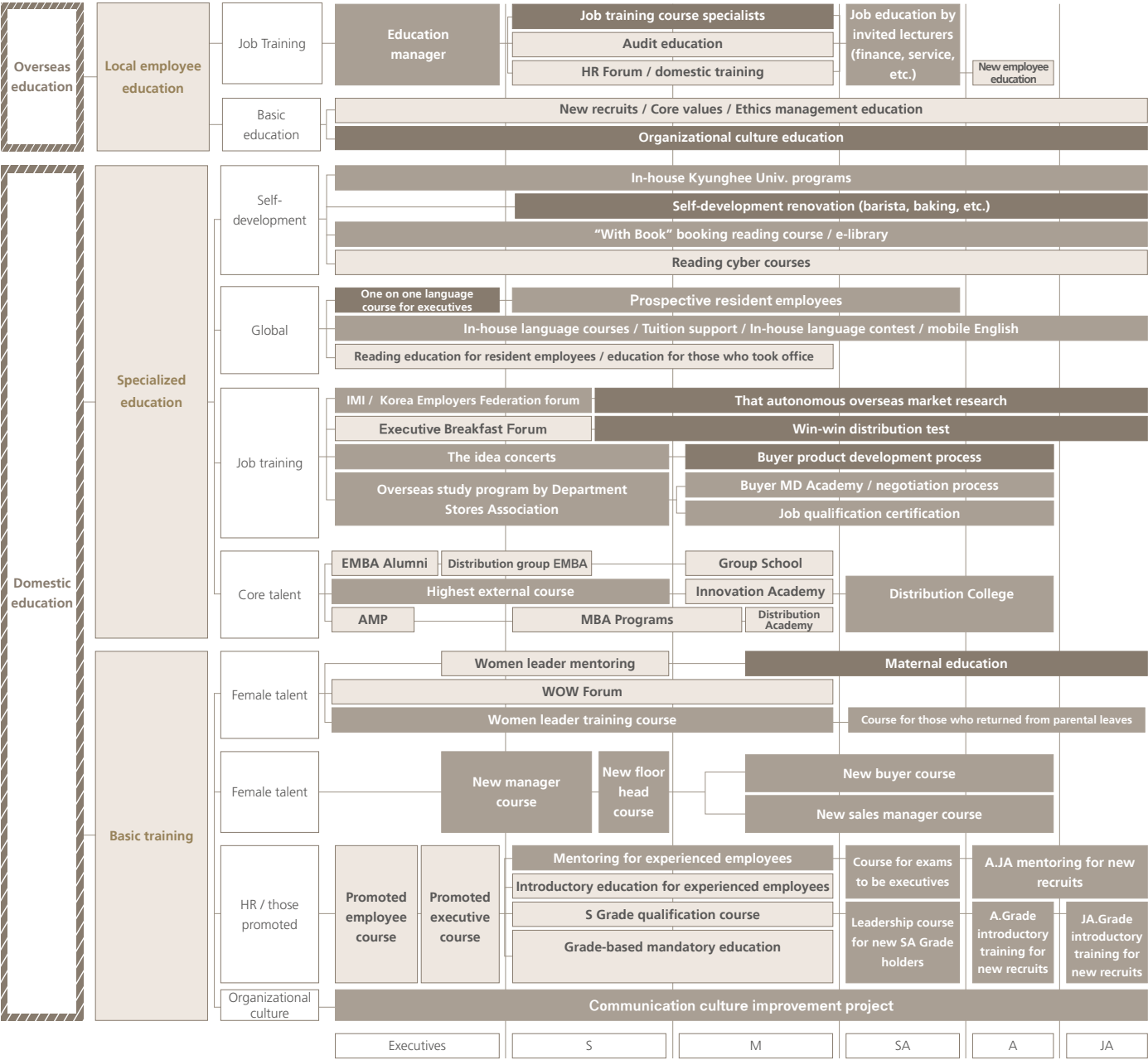
Category	2014	2015 (April)
Number of classes	27	12

※ The numbers of classes are monthly averages.



Employee Welfare Programs

Lotte Shopping's Education System



Lotte Shopping is running employee welfare programs at the highest level in the distribution industry to realize work-life balance. Specifically, as a family-friendly company, the Company offers practical programs such as a leave system, financial support for education and retirement. In addition, various channels are being run to strengthen communications with employees.

Retiree Support Program

Lotte Shopping carries out assistance programs for retirees such as plaques in recognition of their service and free deliveries of documents requested by retirees. In addition, we provide retired executives with Lotte Department Store MVG benefits, condominium use, special occasion support, birthday gifts and children's day gifts and regular medical check-ups. In 2008, an "Outplacement program" was introduced to systematically manage retirees and provide systematic support to them. We are contributing to promoting their successful career transition and enhancing the corporate value of the Lotte Group by providing practical retirement programs such as re-employment, starting new businesses and life planning.

Sabbatical Year System for Self-Development

In April 2015, the Sabbatical Year System was introduced to bring self-development opportunities to Lotte Shopping employees. The system ultimately aims at leading employees to contribute to their organization's better performances and driving an atmosphere where work-life balance is realized. This program is available for employees with service periods of 20 years or longer. Successful applicants are chosen through reviews of self-development plans submitted by candidates from January to February every year. The period is between six months and two years.

Expansion of Communication Channels

Lotte Shopping is internally implementing new systems by taking into consideration employees' opinions and expanding communication channels and is externally attempt to diversify recruitment processes to secure excellent global talent.

School Expense Support

Lotte Shopping is running a school expense support program for employees' children. This program gave 1.93 billion won to 2,827 employees in 2013 and 2.16 billion won to 3,035 employees for school expenses in 2014. In the future, we will expand school expense support to help employees' children receive better educations.

Outplacement program

Category	Course objectives	Contents
Re-em- ployment program	A course through which employees develop leadership on their own as a leader in the management of changes and actively design their career plans	· Self-diagnosis, setting goals, recognizing changes · Job search preparation, job search · Career management
Start-up program	A course to give support to those who want to start their own businesses so that they can strategically prepare to do that	· Diagnosis / analysis · Ready for successful new business · Starting business · Management after starting business
Life design program	A program for balanced career, time, financial and health management	· Exploring process · Personal choice program (re-employment, starting business) · Production of life design portfolio

Making improvement to system by gathering opinions

Internal customers	Job Marketing
	Gathering opinions about required job capabilities and departments which employees want to work for → Reinforcing job adequacy and volition to work
Internal customers	Leave System to Take Care of Children
	Listening to employees for their trouble in raising school-age children → Creating working environment where employees can work without worrying about childcare
Internal customers	Sabbatical System for Self-Development
	Gathering opinions about enhancement of job specialties and capabilities → Giving opportunities to develop skills via self-development
Internal customers	Production of company loyalty cartoons for local employees abroad
	Producing educational materials taking local culture into consideration → Elevating local employees' company loyalty and sharing visions with them
External customers	Implementing internship programs for Korean students studying abroad at overseas stores
	Recruitment on campus in China and overseas internship programs → Securing talent with communication ability and cultural understanding
External customers	Global talent recruitment event
	Inviting global talent to company introduction event and conversation with employees → Leading global talent to apply to Company

School Expense Support for Employees' Children in 2014

(Unit: one million won)

Quarter	University	High school	Kindergarten	Total
Q1	688	131	68	887
Q2	14	136	86	235
Q3	583	131	78	792
Q4	29	137	82	248
Total	1,314	535	313	2,162

Family-Friendly Management

During the holiday season in each year, we operate Summer Resorts to help employees enjoy themselves more. Further we offer various hands-on activities during vacations. We also run family programs with various themes such as culture, sports and travels. The Company has been providing better welfare programs by introducing the Employee Support Group for the first time in the industry in 2013. Throughout these activities, Lotte Department Store attained a certification of family-friendly management by the Ministry of Gender Equality and Family in 2009 and recertified in 2012. In addition, we were awarded with the grand prize of Family Friendly Management Award by the Ministry of Gender Equality and Family in May 2013.

In-House Communication, “Communis” Pop-up Window

Lotte Shopping is operating a “Communis” pop-up window in the corporate intranet groupware in order to achieve communication, one of its core values. Communis means “sharing, communication and a community.” Through the pop-up window, all employees share business and corporate schedules. By providing information about various themes such as fashion, IT and economy via the window, we strive to achieve communication through knowledge sharing.

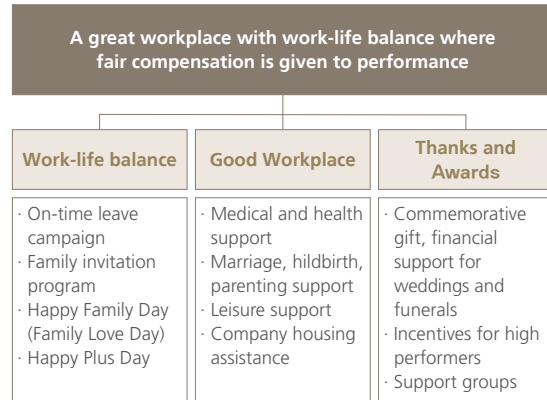
Hanmaeum Council

Lotte Shopping is operating the Hanmaeum Council as an organization for communication and cooperation among employees. The council holds monthly meetings by sectors and quarterly companywide meetings. Better communications and rational management can be pursued through the participation of representatives of employees in managerial decision-making. This council produces various outcomes such as making improvements to working environments, the HR management system and work processes and remedying employees’ grievances.

Lotte Shopping Labor Union

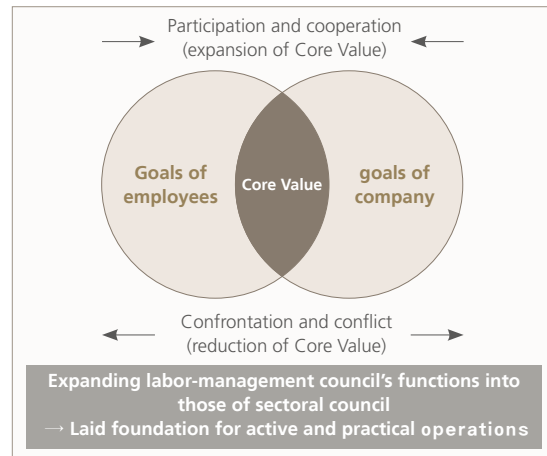
Believing that win-win labor-management relationship lays the ground for corporate growth, the Lotte Shopping Labor Union has maintained a dispute-free workplace for 30 years. Via a joint declaration of labor-management harmony, the two sides are dedicated to competitiveness enhancement, job security, a guarantee of employee rights and an improvement in employee benefits. Such efforts have earned us the Grand Prize at the 100 Great Workplaces Awards for four consecutive years since 2011.

Family-friendly management policies



Excellent family-friendly company certification

Purposes of Hanmaeum Council establishment



Lotte Shopping union membership (in 2014)

Category	Departmentstore	Mart
No. of subjects	1,893	11,500
No. of members	1,150	1,400
Predecessors	5	3
Higher groups	Korea Confederation of Trade Unions, National Federation of United Trade Unions	Korea Confederation of Trade Unions, Federation of Tourist Services

Financial Support for Partners

Lotte Shopping is running “Mutual Growth Financing” and “Mutual Growth Fund” in order to help small and medium partners overcome their financial difficulties and trying to give practical support by expanding their sizes every year. We are expanding our financial supporting programs to cover procurement-related partners so all of our partners are supported by the programs.

Expansion of “Mutual Growth Financing” and “Mutual Growth Fund”

As financial support programs for partners, Lotte Shopping created and is managing “Mutual Growth Financing” and “Mutual Growth Fund.” Mutual Growth Financing is a supporting program based on internally raised funds. In 2014, Lotte Department Store and Lotte Mart supported partners with 3.7 billion won and 4 billion won, respectively in 2014. With funds deposited in the financial sector, Mutual Growth Fund lets partners receive better interest rates when they apply for bank loans. Lotte Department Store supported 162 cases with 79.4 billion won while Lotte Mart 117 cases with 90 billion won via Mutual Growth Fund in 2014.

Improvement in Payment System

Lotte Shopping is executing cash payment for procurement to prop up partners’ cash flows. In 2011, we shortened time of payment for products. In April 2011, we moved up our payment day for direct procurement to the 10th from the 20th in the following month. For partners with mutual growth agreement, the day was moved up to the 10th from the 30th. Lease service providers also began to receive fees earlier on the 10th compare to the 20th in the past. Therefore, we resolved the financial difficulties of small and mid-sized partners and solidified business practices based on trust.

Operation of Win-Win Payment

Lotte Mart built and is running a win-win payment system for the first time in the distribution industry. This system enhances the percentage of cash payment to primary partners and gives them financial support for better cash flows at their small and mid-sized partners. To this end, we built a win-win payment homepage and are running a constant monitoring system.

Support through Mutual Growth Financing

Cumulative number of cases (unit: case)

Total	462
2014	162
2013	148
2012	86

Cumulative amount (unit: 100 million won)

Total	2,646
2014	794
2013	796
2012	542

Support for Mutual Growth Fund

Cumulative number of cases (unit: case)

Total	206
2014	25
2013	27
2012	66

Cumulative amount (unit: 100 million won)

Total	408
2014	37
2013	41
2012	132

Fair Trade Compliance Program

Lotte Shopping is implementing a fair trade compliance program for the establishment of a fair trade culture and win-win partnership. The program consists of education for prevention, the supervision of violations and evaluation and corrective actions among others. We will contribute to diffusing a fair trade culture by way of the thorough implementation of the program.

Fair Trade Compliance System

The Compliance Program (CP) means a company's voluntary compliance system and code of conducts in order to comply with fair trade laws and regulation. In 2001, Lotte Shopping declared the industry's first CP to facilitate fair and equal partnership with partners. We are running voluntary compliance systems to put our CP in place. In running the CP, we are minimizing a risk of legal violations and doing everything we can do for win-win growth with partners by way of processes such as education and supervision, discipline and evaluation and feedback.

Lotte Shopping is running educational programs including regular education for all employees to make them well aware of CP contents and irregular education for incoming senior buyers and buyers, cyber learning courses and education connected to outside organizations. Specifically, the Company is having department heads at the Product Division and branch heads at the Sales Division serve as CP directors responsible for CP education and the general sales manager at the Sales Division as CP manager. We are also conducting self-education and -inspections to minimize risks of legal violations. By conducting regular inspections targeting the Product Division and the Sales Division twice or more times a year, the Company is endeavoring to block any possible violations of the Fair Trade Act in advance. Our monitoring focuses on items highly likely to violate law and regulations due to the characteristics of the distribution industry, such as the observance of procedures in setting up and withdrawing a store, interior decoration, coercion to participate in promotional events and misleading representation and advertisements. The activity averts unfair trading practices that disadvantage partners or customers.

Lotte Shopping takes disciplinary action toward CP violators such as punishment against them. The Company willingly takes corrective action including resolving disadvantages to partners involved as well. Violation cases are spread throughout the

Company with work guidelines. In addition, the Company is operating an unfair trade report channel to rectify unfairness or inconvenience against partners. When a partner receives an anonymous tip-off via its homepage, we speedily look into the case and seek corrective measures.

CP System Process

Category	Contents
Training & Prevention Activities	<div><div>· Distribution of Fair Trade Compliance Handbook and Work Manual</div><div>· Regular training for all employees and frequent training for Product Division's MDs and CMDs</div><div>· Appointing CP Head Manager and organizing workshop</div><div>· Lotte Department is planning to introduce basic CP education (June 2015)</div></div>
Surveillance and Supervision of CP violations	<div><div>· Compliance with large-scale distribution business laws during MD restructuring process</div><div>· Levying costs unrelated to sales promotions and Unfair dispatching of co-workers</div><div>· Unfair displaying and advertising</div><div>· Forced participation in sales promotion and discount events etc.</div></div>
Evaluation and Improvement Action	<div><div>· Punishing 24 CP violators by holding meeting to punish CP violators twice a year.</div><div>· Sharing violation cases across company and voluntary corrections</div></div>

CP Education

By formulating an annual education plan, Lotte Shopping is carrying out CP education for new recruits and employees at the Sales and Product Divisions HQs who directly work with partners. In 2014 the education was conducted 40 times for 3,433 employees. In particular, more than two hours' compulsory education was biannually given to employees at the Sales and Product Divisions. In addition, employees are required to take a fair trade test on the Fair Trade Act among others to have their academic achievements assessed at least once a year. In May 2014, the Company held a CP workshop for CP managers at braches by inviting attorneys from law firms and taught them the Act on the Large-Scale Distribution Business. In addition, staff members in charge of fair trade avert violations by visiting the Product and Sales Divisions in person in order to raise all employees' awareness of fair trade and share the latest fair trade laws and regulations. We will support the efficient operation of CP programs by expanding our internal education and education connected to outside organizations which include outsiders in charge of fair trade.

CP Education in 2014 (Unit: persons)

Category		Names of education	Number of people	Date and time	Remarks
Internal education	1	Introductory education for winter interns	54	1.3	Education and testing
	2	Education of Distributor School's 1st class	30	2.12	
	3	Win-win distribution test	2,594	2.12, 5.8	
	4	Education of new branch heads in 1st half	5	2.17	
	5	Level raising education for JA Grade holders	12	2.19	
	6	Education of new team leaders in 1st half	24	3.4	
	7	Education new CMDs and MDs at Product Division	62	3.12	
	8	New sectoral leader training	138	3.18, 20	
	9	CP manager workshop in 1st half	77	5.30	
	10	Introductory education for interns in summer of 2014	59	7.2	External lawyers' lectures
	11	Fair trade education for newly opened Suwon branch	33	7.17	
	12	Lectures for "A Grade" new employees in first half	61	8.1	
	13	Introductory education for new employees in 4th class of JA Grade	22	9.24	
	14	Fair trade education for sales team leaders at all branches (Gyeongsang Province)	51	9.29~30	
	15	Fair trade education for sales team leaders at all branches (Seoul metropolitan area and Jeolla Province)	125	10.22~23	
	16	Fair trade education for newly opened Dong Busan branch	34	11.21	
Total			3,381		
External education	1	Understanding of large-scale distribution business law	2	4.17	
	2	CP Forum in 1st half	3	4.17, 18	
	3	Practical fair trade education at Group level	3	4.24	
	4	Primary education to prevent unfair trade of agricultural products and food	4	5.21	
	5	Understanding display advertisement law via cases	3	6.24	
	6	Understanding e-commerce law as via cases	3	6.25	
	7	Secondary education to prevent unfair trade of agricultural products and food	1	7.8	
	8	Subcontracting education for Group affiliates	4	7.11	
	9	Understanding criminal cases involving fair trade and exclusive accusation right	1	7.17	
	10	2nd law and policy seminar by Competition Law Cenztter at SNU in 2014	1	7.17	
	11	Executive Vice-Chairman invited the Fair Trade Commission Meeting	1	8.29	
	12	Conference by Competition Law Center	2	9.3	
	13	8th Seoul International Competition Forum	4	9.4	
	14	Research on Fair Trade Act	1	9.12~11.28	
	15	Legal expert education	1	10.14~11.18	
	16	Breakfast meeting for Group's CP executives	2	10.28	
	17	FTC's antitrust conference	1	10.30	
	18	Group-level fair trade workshop	1	10.31	
	19	Fair trade class at Group level	2	11.12	
	20	Special lectures on improvement in corporate trade policies and systems	1	11.19	
	21	Seminar by Competition Law Center	4	11.24	
	22	Symposium by Fair Competition Federation	2	11.28	
	23	Summary of overseas fair trade laws	2	12.9	
	24	Fair trade seminar in 2nd half	1	12.11~12	
	25	Utilization of the Advanced Ruling Claim System	2	12.12	
Total			52		

Improvement in Internal Fair Trade Guidelines and System

“The Act on Fair Trade in the Large-Scale Distribution Industry” took effect on January 1, 2012, prompting Lotte Shopping to take the law into account in its business. Accordingly, we neither demand unfair trade nor abuse our position by clarifying the contents of written agreements (business types, conditions for returning goods and dispatching employees) and sticking to fair trade with partners. Further, we revised and distributed standard trade agreements for win-win growth among others. By doing so, we can contribute to precluding possible disadvantages and elements that can trigger conflicts. What is more, MD changes and work directions for sales promotions among others are regularly spread and shared through an electronic payment system. We allow all employees to easily refer to work manuals by producing and sharing them through the Groupware System.

Reinforcing Execution of CP Program

As part of our CP plan in accordance with the Act on Fair Trade in the Large-Scale Distribution Industry that took effect in 2012, we built the ECS and are expanding the use of electronic contracts. The system can efficiently manage contracts, agreements and letters about sales promotions and at the same time, enables Lotte Shopping to honor the new rule of keeping documents set by the law for five years. Lotte Shopping is implementing electronic contracts to nip in the bud legal violations highly likely to occur such as contract signing after trade and the omission of key items in contracts. Such efforts will be quite instrumental in contract work simplification compared to the current written agreement system. Besides, the revised act will be reflected in detailed work guidelines to spread and shared among all employees. Quarterly on-spot education will be given to the Product and Sales Divisions and all stores for two hours or longer through a fair trade unit at the headquarters. Those in charge of CP at each team and branch will take part in fair trade workshops or receive education twice or more times a year. Furthermore, strict on-the-scene inspections will be conducted twice or more times and feedback will be made with the goal of checking whether or not fair trade is observed in business with partners on the scene. We will raise employees’ awareness of unfair trade by toughening punishments against employees who committed unfair trade acts. We are planning to provide employees in-depth fair trade education by utilizing in-house

counsels as lecturers. Additionally, the introduction of online fair trade education will accomplish effective education about practical matters to which employees pay attention at stores.

Outcomes and History CP Program (2010~2014)

Category	Details
2010	<div><div>· Held fair trade classes for 5,183 people including managers and the head of the Product Division 83 times except for new employees, the CEO</div><div>· Signed mutual growth and fair trade agreements with partner companies (640 partners)</div><div>· Fair trade workshops for CP managers at Product Division and Sales Division</div><div>· Checked unfair practices including those in promotions and interior work</div><div>· CP manager sent fair trade letters to about 960 companies</div><div>· CP manual (No. 9) distribution and fair trade tests (1,694 people)</div><div>· Alliance with CP manager at shopping companies</div></div>
2011	<div><div>· Managing director Lee Gap To of Marketing Division was appointed as CP manager</div><div>· Win-win growth agreement (510 partners) between partners and Lotte Group(shopping, construction, HPC)</div><div>· Signed win-win growth agreements (with 510 partners)</div><div>· Held fair trade classes 103 times for 8,175 people such as new recruits, CP managers and employees at Product and Sales Divisions</div><div>· Checked unfair trade practices in promotions, interior work, displays and advertisements</div><div>· CP manual (No. 10) distribution and fair trade tests</div></div>
2012	<div><div>· Fair trade workshop for CP managers at Product and Sales Divisions (June)</div><div>· Held fair trade classes 76 times for 6,379 people such as new recruits, CP managers and employees at Product and Sales Divisions</div><div>· Checked fair trade at Product and Sales Division</div><div>· Fair trade test for employees</div></div>
2013	<div><div>· Senior managing director of Marketing Division was appointed as general CP manager</div><div>· Fair trade workshop for CP managers at Product and Sales Divisions (June)</div><div>· Held fair trade classes 29 times for 4,269 people such as new recruits, CP managers and employees at Product and Sales Divisions</div><div>· Checked unfair practices at Product and Sales Divisions</div><div>· Conducted fair trade tests for employees</div></div>
2014	<div><div>· Senior managing director of Marketing Division was appointed as general CP manager</div><div>· Fair trade workshop for 77 CP managers at worksites (May)</div><div>· Conducted win-win distribution test 2 times for 2,594 people such as at Product and Sales Divisions (February and May)</div><div>· Held fair trade classes 16 times for 3,381 people such as new recruits, CP managers and employees at Product and Sales Divisions</div><div>· Conducted education by outside lecturers 24 times for 52 people to enhance their CP capabilities</div><div>· Monitored worksites for violations of laws such as Act on the Large-Scale Distribution Business and Display Advertisement Act.</div></div>

Shared Growth

With a view to sharing its visions with partners and seeking sustainable shared growth, Lotte Shopping is varying communication channels such as the Win-Win Communication Conference and meetings by sectors. In addition, we will listen to the opinions of partners via long-term opinion gathering activities and applying them to improving internal systems.

First Win-Win Communication Conference

Lotte Department Store held the first Win-Win Communication Conference in 2014 as one of communication channels with partners. The company invited a total of nine small and mid-sized partners such as Jungdong Textile, Romanson and Tonymoly. The heads of the Marketing Division, Miscellaneous Goods, Women’s, Men’s and Consumer Electronics Departments at Lotte Department Store met with them and exchanged opinions about their difficulties and how to improve situations with them.

Meetings by Each Department at Product Division

The Product Division of Lotte Department held an event to listen to partners’ opinions and seek ways for win-win growth by inviting partners by departments. In March 2014, a meeting was held between 90 staff members and executives in the youth and female departments from partners and 48 including the head of women’s fashion from Lotte Department on the 11th floor of the Avenuel branch and Mugunghwa Hall of the main branch. In September, we communicated with the CEOs, the heads of sales departments and employees of partners in the miscellaneous item and home electronics sectors while climbing a mountain with them. October saw a meeting to

share opinions with executives from partners in the men’s sports sector in Namhan Mountain Fortress.

Shared Growth Homepage for Partners

Lotte Shopping is running Product Division Homepage for communication with partners. The company promotes mutual growth with partners through the website with menus such as information on financial and educational support, opening shops and communication for shared growth.

Ranking 1st in Win-Win Index

Lotte Mart is striving for fair trade with all partners and building trust based on communications. In order to realize true win-win growth, the company is brooding over practical support programs for partners on the foundation of five implementation strategies - the establishment of a communication and respect culture, the expansion of joint product development and financial support, the reinforcement of support for managerial efficiency improvement and support for overseas market development. Such efforts have earned Lotte Mart the first spot in the Win-Win Index standings in the distribution industry for four years running since 2011.

CEO’s On-Spot Communication and Cooperation

Lotte Mart is bolstering up communication-based management through which its CEO regularly visits partners and listens to their opinions on the scene. This initiative informs partners of the CEO’s intention to establish a culture of fair trade and shared growth and paves the way for co-prosperity and cooperation.



Lotte Department’s Mutual Growth Conference

04 THINK BETTER TOMORROW

Environment and Society

Creating Better Future

As a global distribution player, Lotte Shopping ponders what to do to create a better future. As part of such efforts, we make endeavors to keep the environment healthy and pitch in to address local communities' problems. The company systematically puts into practice green management which minimizes impacts on the environment and effectively holds environmental campaigns hand in hand with employees and customers. On top of that, our sharing activities are going on, contributing to solving problems of local communities at home and abroad and giving people hopes. We will take the initiative in creating a future everybody dreams of by way of strong sustainability management in harmony with society.



ISO
140001 781,045

Certification renewal
in January 2015

GHG Emissions Target
Management System

Decrease from 2013 (Unit: ton)

105 47.2

Number of Green Stores

Department store, Mart

Green purchasing

Unit: 100 million won

268 35

Social contribution expenses

Unit: 100 million won

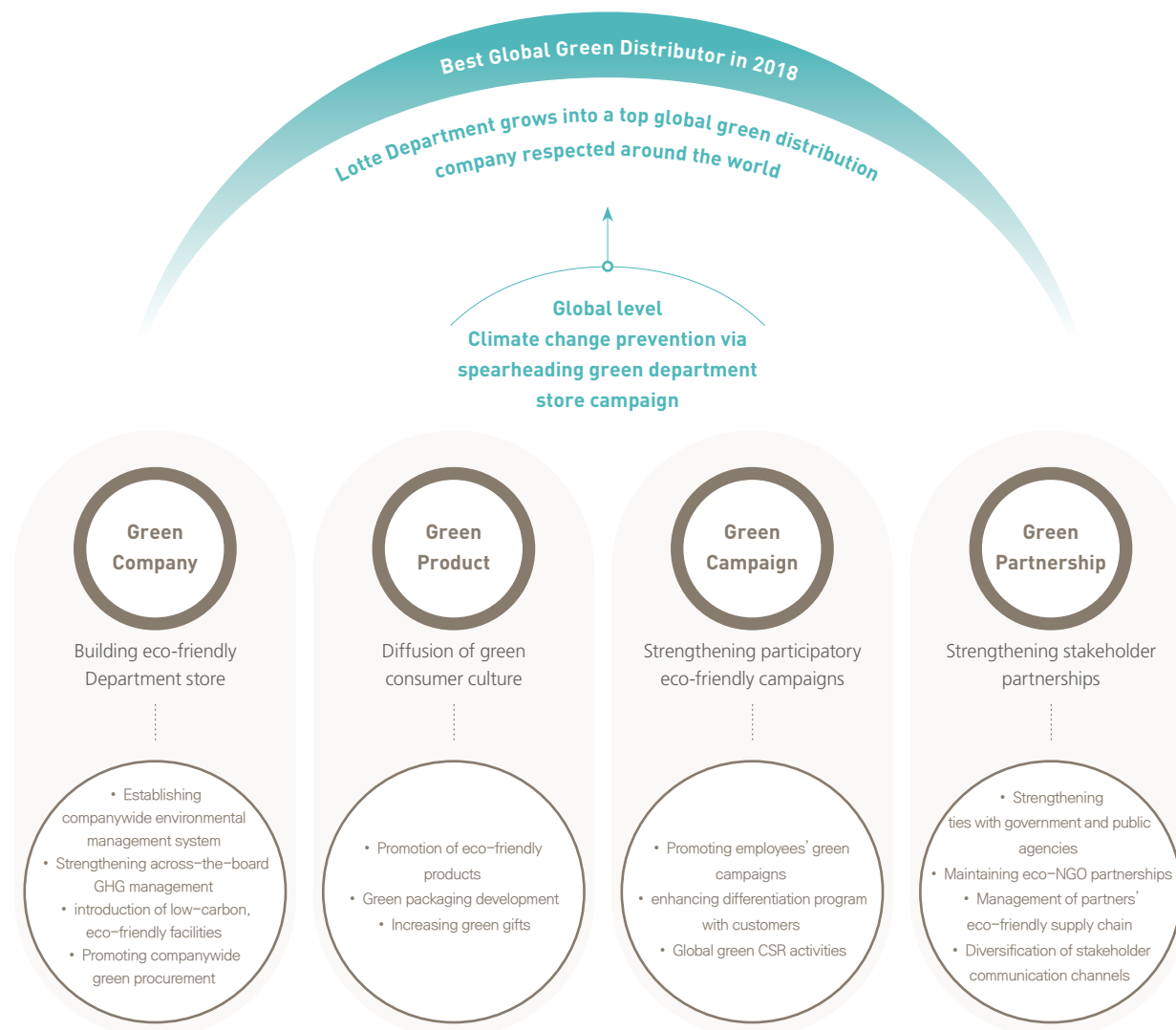
Lovely House by sharing salaries

Unit: house

Lovely life

Environmental Management System

Lotte Shopping has been expanding the value of environmental protection since declaring environmental value management for the first time in the industry in April 2004. Each department is trying to minimize an impact on the environment in all their business activities. We also hold various green campaigns with the participation of stakeholders such as employees, customers and NGOs.



Environmental Management Policy

Lotte Shopping declared environmental management policies for the purpose of protecting nature, precious bases for our lives and the origin of life, and promoting eco-friendly and sustainable growth.

Green Lotte

For a better environment in the future, Lotte Shopping declared its environmental management policies for eco-friendly development. "Green Lotte" is the environmental slogan of Lotte Department Store and represents the purpose of its environmental management to publicize the value of the environment and spread eco-friendly consumer culture. "Saeromi" and "Haemi" developed as Green Lotte characters are utilized for various purposes. "Saeromi" is designed based on a motif of a new pear leaf and round-faced "Haemi" resembles the cozy sun that shines upon the Earth. Saeromi means a leaf, the start of nature while Haemi stands for the sun that helps nature grow. The two deliver the meaning of Green Lotte well.

Environmental Management System Certificate

Lotte Department Stores completed a renewal audit of headquarters and branches in January 2015 based on an international environmental management system (ISO14001). The advanced ISO14001 is an international system standard about environmental management to monitor and reduce environmental load from corporate business activities. The Company has been maintaining the certification through the active operation of the Environmental Management System since its first certification in 2005.

Green Dream Lotte Mart

Lotte Mart is striving to diffuse eco-friendly consumer culture with customers by harnessing the characteristics of the distribution industry. We have been actively implementing eco-friendly green management by selecting three core tasks of the promotion of green consumption, the sale of eco-friendly products and the construction of green stores since declaring environmental management in 2008.

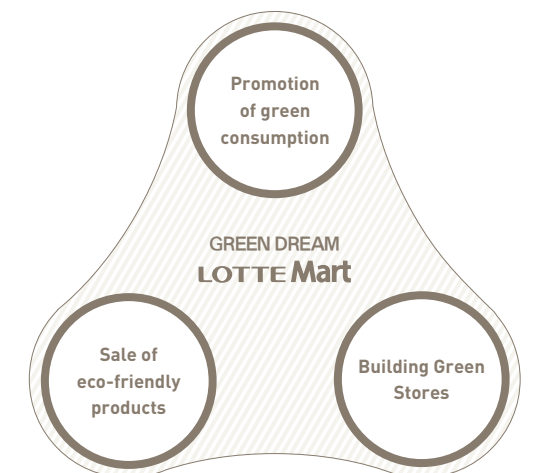
Lotte Shopping's Environmental Management Policy

1. Via environmental management, we commit ourselves to changing the domestic distribution market in a more environmental friendly way and to becoming a global eco-friendly distribution enterprise.
2. We commit ourselves to providing various products and a life culture which publicize environmental value to our customers and to recommending eco-friendly consumptions.
3. By sharing environmental management with partners, we commit ourselves to encouraging them implement green management.
4. We commit ourselves to executing continuous environmental improvement activities to reduce environmental waste and save resources.
5. We commit ourselves to establishing and executing internal standards tougher than environmental laws.
6. By participating in various environmental protection activities with environmental fundraising, we commit ourselves to informing customers and society of the importance of the environment, particularly through the Climate Change Prevention Campaign.



Green Lotte character

3 Core Goals for Building Green Stores at Lotte Mart



Eco-Friendly Campaign

Lotte Shopping is steadily implementing eco-friendly campaigns with the participation of a wide variety of stakeholders such as employees, customers, partners and NGOs. The campaigns pay off, saving the company energy and resources and spreading an eco-friendly consumption culture among other things. They are also conducive to an improvement in people's awareness about environmental protection and encouraging them to take action.

Green Card Eco-Money Points

Green Card is a card for eco-friendly consumption promotion enforced jointly by the Ministry of Environment and distribution companies. Eco-Money points were given by producers and distributors to a customer who purchases a green product approved by the ministry with a green card. Accumulated green points can be exchanged with gift certificates and more. Lotte Shopping usually gives 5% of prices as points. But the Company promotes eco-friendly consumption by holding an event to give 25% of prices as points in June and December. In particular, Lotte Mart contributed to popularizing an eco-friendly consumer culture by giving distributors' points to green PB products and small and mid-sized partners' green products for the first time in the distribution industry. Now we give up to 30% of prices as points for purchases of green products.

Announcing Environmental Doomsday Time

The Korean Green Foundation and the Asahi Foundation have been jointly announcing Environmental Doomsday Time since 1992. The time is based on the results of a survey of central and local governments, NGOs, scholars and enterprises in about 90 countries. Lotte Department Store has been holding an event to announce the time before the main branch since 2008. In 2014, we raised awareness of a crisis of the destruction of nature and the significance of environmental protection by inviting citizens and stakeholders as well.

Green Lotte Environmental Art Competition for Kids

Having marked its 36th year in 2015, the Green Lotte Environmental Art Competition for Kids is the industry's largest children art contest. The competition has established itself as our representative environmental campaign, teaching children who are leaders of tomorrow about the importance of environmental protection. 9,942 children took part in the contest in 14 regions across the nation in 014. In 2015, 12,851 children flocked to the event, making it successful. Participation fees for this event are all donated to the Korea Green Foundation to be used for green campaigns.



Saving Eco-Money points

Environmental Doomsday Time by years

	00:01~03:00 Not uneasy
	03:01~06:00 A little uneasy
	06:01~09:00 Very uneasy
	09:01~11:59 Terribly uneasy
	12:00 Time of extinction of human race
2008	9:26
2009	9:51
2010	9:35
2011	9:59
2012	9:32
2013	9:31
2014	9:27



Green Environmental Art Competition for Kids

Recycling Interior Accessories

Lotte Shopping's Design of Office creates new design by recycling interior accessories by putting them to good use. At the same time, this idea helps safeguard the environment and saves the Company cost. For instance, Lotte Department Store presented unique design by recycling interior accessories used at the main branch at the first branch in Incheon of "Lotte Factory Outlet," a new business type developed by the Company in February 2015. This became a big cost saver for the Incheon branch and created a interesting new space for customers. On top of that, we are pulling out all the stops to cut cost and enhance durability by making good use of materials for interior accessories which are easy to maintain and manage.

Distributing Eco-Friendly Shopping bags

Lotte Shopping gave away eco-friendly shopping bags on the occasion of the tenth anniversary of its environmental value management and Environmental Day which falls on June 5. This shopping made of paper based on eco-friendly natural pulp has a picture of endangered polar bears on the front side and a map of endangered species. The map stresses that the closer an animal is to the center of the circle, the more seriously the animal is endangered. The map can be cut off to be used as an educational tool for kids. The Company produced a total of 100,000 units of this bag which were distributed to customers at all branches and received good responses. The new bag is differentiated from other shopping bags with coating paper. What is more, the development of an all-pulp shopping bag based on unbleached and non-fluorescent natural kraft not only contributed to environmental protection through recycling but saved the Company about 25% of cost.

Green Store

The Green Store System is a program via which the Ministry of Environment and the Environmental Industry & Technology Institute designate stores which considerably contribute to green consumption and distribution culture through eco-friendly facilities, the sale of green goods and green campaigns as Green Stores. The system evaluates stores' overall green indices based on slashing GHG emissions, saving energy and spreading green consumption among other things. Lotte Shopping is ramping up the number of its Green Stores with the goal of having all of its branches designated as Green Stores. A Green Store can enjoy a cut of 20% in a quarterly surcharge for improving the environment. Lotte Mart is operating a total of 105 Green Stores – 16 at Lotte Department and 89 at Lotte Mart - in Korea.



Incheon branch of Lotte Factory Outlet



Environmentally Friendly Shopping Bags



Green Store certificate

Environmental Management Index

Green Purchasing

Lotte Department Store signed the “Voluntary Green Purchasing Agreement” with the Ministry of Environment to set green purchase as a key driver for environmental management and favor hazardous substance-free products with environmental certificates.

We promote green purchases from eco-friendly certified paper and office supplies to various materials and equipment. In 2014, we made green purchases of 4.72 billion won. Eco Bag purchases more than doubled to 380 million won from 2013.

Employees’ Eco-Friendly Campaign

Cool Biz Campaign

Since 2005, Lotte Shopping has been promoting the Cool Biz (Warm Biz) style for energy-saving and leading eco-friendly lifestyle. The Cool Biz Campaign is the beginning of energy saving by taking off ties and inappropriate outerwear in summer. Employees stay warm by wearing knits or cardigans during winter by joining the Warm Biz Campaign. All employees took part in the campaign, giving rise to a reduction in cooling and heating cost. At the same time, the campaign is well received externally as an eco-friendly fashion code through “Cool Biz Fashion Show” among other things.

Seoul “Lights Off” Day

Lotte Shopping actively took part in a pan-city campaign by Seoul City to turn all lights off in Seoul to save energy. The event turns off all lights such as outside signage, outdoor and indoor lights for one hour in the evening on the 22nd day of every month. As for indoor lights, we turn them off while paying attention to the safety of customers. When stores are in business, we put out outside signage only.

Lotte Mart’s Happiness Tree Planting Campaign

Lotte Mart is holding a tree planting campaign to reduce air pollutants such as fine dust and yellow dust and offset greenhouse gas (GHG) emissions and carbon. In July 2014, the company created “Eoulrim Pureurim Forest” along with Godeok Stream in Seoul’s Gangdong-gu by signing an agreement on the Anti-Carbon Afforestation project with the Ministry of Environment, the Korea Environmental Industry & Technology Institute and Future Forest.

Looking ahead, we will never stop holding the campaign for clean air.

“All Buy Green Zone” for Green Products

Lotte Mart is running All Buy Green Zone, a sales booth exclusively for eco-friendly green products for the first time in the distribution industry. The place offers a collection of green products very popular among customers. Via this program, we are contributing to publicizing the excellence of green products and an eco-friendly consumption culture.



Happiness Tree Planting Campaign



All Buy Green Zone

After setting a goal of slashing energy use and carbon emissions, Lotte Shopping is making diversified efforts such as the GHG Emissions Target Management System and an in-house energy saving campaign. These efforts bore fruit — the implementation of social responsibility and cost cutting.

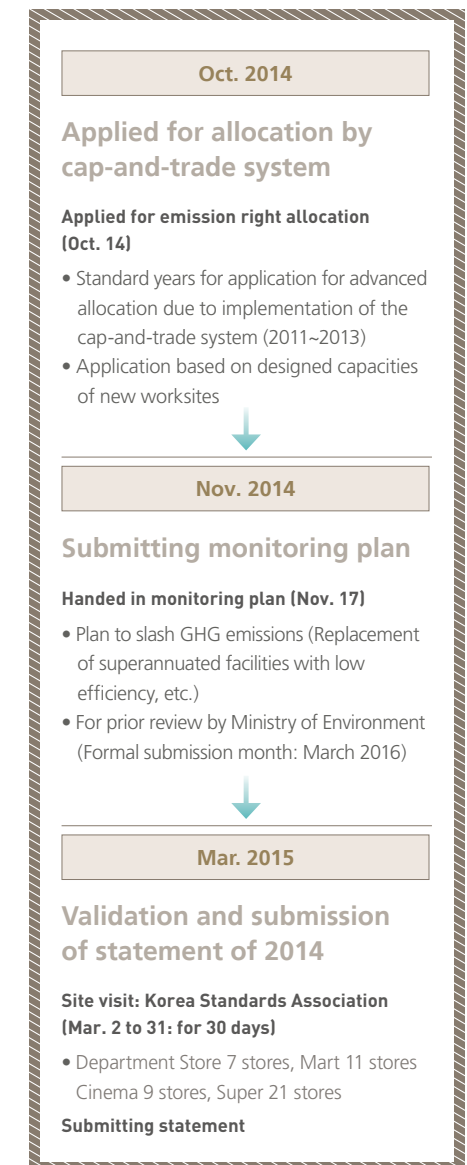
GHG Target Management System

The GHG and Energy Target Management System were implemented in April 2010 as part of the Low-carbon Green Growth Act. The system forces buildings to reduce GHG emissions and conserve energy. As one of the companies required to follow this system, Lotte Shopping has been making various efforts and investments to meet its reduction target across the board. The total sum of GHG emitted by Lotte Shopping increased slightly from 769,226 tons in 2012 to 782,785 tons in 2013 due to the opening of new shopping centers. Lotte Shopping’s GHG emissions edged down by 3.77 (kg/m^2) to 96.52 (kg/m^2) in 2014 from 100.29 (kg/m^2) in 2013. What is more, coping with the Cap-and-Trade System kicked off in 2015, we are introducing highly efficient equipment, increasing the use of new renewable energy, building green parks on rooftops with a view to establishing green infrastructure.

GHG and Energy Target Management System

Lotte Shopping built and is running the MRV-System for the purpose of grasping GHG emissions and energy use more efficiently. The system finds out the causes of GHG emissions and systematically manages them from sources. This system facilitates the management, storage and analysis of environmental data and expedites work by those in charge of environmental work at the headquarters and branches. Therefore, we laid the foundation for carrying out environmental value management more effectively.

Implementation in 2014



MRV System

Electricity Consumption Reduction

In 2014, Lotte Department Shopping consumed a total of 1,141,017 MWh of electricity. Even though it increased a little from a total of 1,134,878Mwh in 2013, the increase was blamed largely on the opening of new stores so our actual power consumption per unit area declined to 141kwh in 2014 from 145kwh in 2013.

Fuel Usage Reduction

Lotte Shopping mainly uses LNG for cooling and heating system for stores and cooking at restaurants. The company made companywide efforts to reduce fuel consumption such as an appropriate temperature campaign pushed for by the government. As a result, the total amount of fuel used in 2014 amounted to 3,250 (10,000 *mm³*) from 3,498 (10,000 *mm³*) in 2013. LNG use per unit area inched down to 4.02 *mm³/m²* in 2014 from 4.48 *mm³/m²* in 2013, too.

Water Use Reduction

Lotte Shopping’s total water use in 2014 amounted to 8,321 thousand tons, representing a 0.3% drop from 8,347 thousand tons in 2013. The use inched down despite the opening of new stores and theaters thanks to efforts to save water. Lotte Department Store is using gray water treatment facilities at 20 branches. Groundwater and rainwater storage facilities are used at 16 and 10 stores, respectively.

Reduction of Waste Generation

Lotte Shopping’s annual waste reached 96,936 tons, an increase of 2.81% from 2013. But waste per unit area has been falling every year from 12.07kg in 2013 to 11.98kg in 2014. Diversified efforts to reduce and recycle waste have been giving rise to higher recycling rates and drops in the portion of incinerated or reclaimed waste every year.

Use of Regenerated Water

Category	Installed Branches
Gray water treat-ment facilities (22)	Main Branch, Jamsil, Busan, Daejeon, Pohang, Ulsan, Dongnae, Changwon, Incheon, Jeonju, Mia, Centum City, Gangnam, Yulha Outlet, Cheongryangri, Jungdong, Esiapolis Outlet, Pyeongchon, Gimpo Airport, Suwon Out-let, Suwon, Gwangmyeong Outlet
Groundwater treat-ment facilities (16)	Jamsil, Yeongdeungpo, Busan, Kwanak, Gwangju, Bundang, Bupyeong, Ilsan, Daejeon, Incheon, Nowon, Anyang, Daegu, Jeonju, Mia, Jungdong
Rainwater storage facilities (12)	Sangin, Gimhae Outlet, Yulha Outlet, Jungdong, Guri, Ansan, Paju Outlet, Pyeongchon, Gimpo Airport, lcheon Outlet, Suwon, Gwangmyeong Outlet

Electric Power Use (Unit: Mwh)

2014	1,141,017
2013	1,134,878
2012	1,086,653

Fuel Use (Unit: 10,000 *mm³*)

2014	3,250
2013	3,498
2012	3,609

Status of Management

Year	2011	2012	2013	2014
Number of stores	610	999	1,272	1,549
Area (<i>m²</i>)	6,139,762	7,365,411	7,813,981	8,092,283

Annual GHG Emissions

Year	2011	2012	2013	2014
Total emissions (ton)	748,890	769,462	783,673	781,045
Emissions compared to area (<i>kg/m²</i>)	121.97	104.47	100.29	96.52

Electric Power Consumption

Year	2011	2012	2013	2014
Total Consumption	1,087,037	1,086,653	1,134,878	1,141,017
Consumption compared to (<i>kwh/m²</i>)	177	148	145	141

Fuel consumption

Year	2011	2012	2013	2014
Total consumption of fuel (10,000 <i>mm³</i>)	3,447	3,609	3,498	3,250
Consumption compared to area (<i>mm³/m²</i>)	5.61	4.90	4.48	4.02

Running water consumption

Year	2011	2012	2013	2014
Total consumption of running water (1,000 ton)	6,895	8,393	8,347	8,321
Running water consumption per unit area (<i>l/m²</i>)	1.20	1.14	1.07	1.03

Waste Management

Year	2011	2012	2013	2014
Volume of generated waste (ton)	82,304	91,847	94,286	96,936
Volume compared to area (<i>kg/m²</i>)	13.41	12.47	12.07	11.98
Recycled volume (ton)	56,472	62,972	65,347	65,570
Recycling rate (%)	68.6	68.6%	69.3%	67.6%
Incineration and landfill (ton)	25,832	28,875	28,939	31,366

Eco-Friendly Facilities

The introduction of eco-friendly construction materials and facilities saves Lotte Shopping energy and cost. The creation of green and ecological parks on the rooftops of store buildings offers customers comfortable resting places as well as reduces energy consumption.

Introduction of Eco-Friendly Construction Facilities

Lotte Shopping has pushed forward the introduction of eco-friendly facilities and materials to construct eco-friendly buildings. LED lamps are greatly cutting down on power consumption. Lotte Department Store reduce 34,165Mwh of electric power every year by installing 68,606 high-efficiency LED lamps at Goyang Outlet, the Avenuel World Tower branch, the Suwon branch, Gwngmyeong Outlet and Guri Outlet that opened in 2014. This volume saved translates into a reduction of cost of about 5.17 billion won. LED lights are eco-friendly since they are free from hazardous materials (mercury, lead) that included in regular lamps. They contribute to alleviating power shortages and cutting down on electricity costs since their energy efficiency outpace general lamps by 40 to 60%. Besides, Lotte Department Store is making various investments and efforts to reduce energy use and raise energy efficiency such as the installation of once-through boilers with high energy efficiency which saved the Company annual cost of 72 million won.

Green · Ecological Park

Lotte Shopping is cutting down on GHG emissions and energy use and building eco-friendly stores by creating eco-friendly space on the rooftops of store buildings. Lotte Department Store built rooftop green parks to save itself about 10% of heating and cooling energy consumption since they cools off the buildings on which they are. In particular, Ilsan, Nowon and Centum City Branches built ecological parks to fashion perfect nature within the city for saving energy and offering

Status of Green · Ecological Parks

Category	Installed stores
Green park (19 branches)	Bupyeong, Ulsan, Changwon, Mia, Icheon, Yulha Outlet, Cheongryangri, Gwangbok, Daejeon, Yeongdeungpo, Paju Outlet, Gimpo Airport, Jungdong, Pyeongchon, Buyeo Outlet, Suwon, Gwangmyeong Outlet, Guri Outlet, Dongbusan Outlet
Ecological park (3 branches)	Nowon, Ilsan, Centum City

natural shelters for customers.

Solar Power Facilities

Lotte Mart's installed solar power generation facilities on the rooftops of 39 stores nationwide with an investment of 23 billion won. They produce 4,586Mw of electric power, saving the Company about 7 million won a year. They also saved the Company 2,081 tons of CO₂, contributing to curbing global warming.

Installation of High-Efficiency Lighting

Lotte Department Store has been replacing lamps in stores, rest rooms, cultural centers and external signage with high-efficiency LED ones by investing 21.5 billion won since 2010. They save Lotte Mart 71,713Mw of electric power and 33,902 tons of CO₂. This is equal to a reduction of about 9.4 billion won in economic effects.

Installation of Heat Insulation Film

Lotte Mart installed heat insulation film inside windows with an investment of 1.8 billion won. This work reduced gas use by 868,000 *m*³ and GHG emissions by 1,952 tCO₂, thereby resulting in a fuel energy reduction of 21.4% and a cost reduction of about 600 million won.

Lotte Mart's Eco-Friendly Facilities

Category	Investment (Unit: 100 million won)	Reduction in power use	Reduction in GHG emissions	Total cost reduction (Unit: 100 million won)
Solar power generation facilities	230	4,586 Mw	2,100 tCO ₂	7
LED lighting	215	72,713 Mw	33,902 tCO ₂	47
Heat insulation film	18	868,000 m ³	1,952 tCO ₂	6

Social Contribution Strategy

Lotte Shopping is carrying out various social contribution activities in order to sincerely fulfill its social responsibilities as a global corporate citizen. The company aims to grow into a top global player in sustainability management through strategic social contribution activities in the social and environmental sectors.

Social Contribution Strategy

Lotte Shopping established long-term visions and strategies and is implementing a wide variety of activities with a focus on the social and environmental sectors to maximize their effects. We contribute to addressing real problems by taking childbirth promotion, employees' voluntary work, partnership with local communities, eco-friendly management, overseas social contribution and green campaigns as key tasks.

Production of Social Contribution Slogan and Emblem

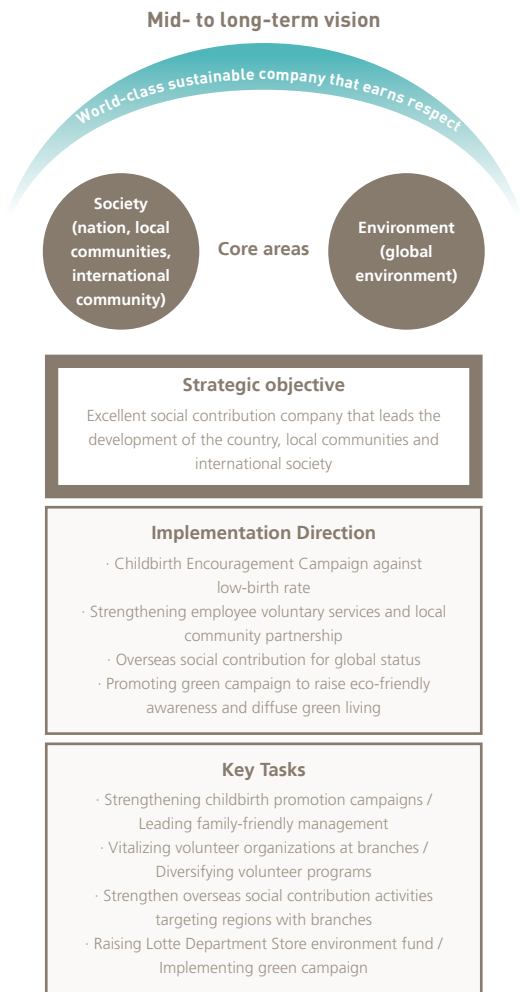
A social contribution slogan and emblem were produced and are being used to deliver its will for social contribution externally. The slogan says "We Present Tomorrow." This means that Lotte Shopping prepares presents for a happy society (hope, health and the environment) together with customers. We selected catch phrases for social contribution themes such as "Presenting Hopeful Tomorrow," "Presenting Healthy Tomorrow" and "Presenting Clean Tomorrow." Moreover, we produced a social contribution emblem that matches the slogan. Red, blue and green hearts in the box stand for hope, health and the environment, respectively.

Executing Expenses for Social Contribution

Lotte Shopping executed a total of 26.8 billion won in social contribution expenses in 2014, up 37% from 19.6 billion won in 2013. This was attributable to the fact that the company held various new campaigns in an effort to reach out to those in need more actively. The Company is monitoring the efficiency and influences of campaigns by reviewing the effects of social contribution fund execution to give support to those who need it most first.

Achievements of Lotte Shopping's Social Contribution Activities (Unit: one million won, %)

Category	2012 Amount	2012 Percentage	2013 Amount	2013 Percentage	2014 Amount	2014 Percentage
Art, Sports and Culture	2,208	11.5	3,257	16.6	6,316	23.5
Environment	1,087	5.7	928	4.7	1,439	5.4
Social Welfare	12,852	67.2	8,455	43.2	1,441	42.6
Scholarship, Academic Activities	350	1.8	859	4.4	673	2.5
International Exchanges and Relief	338	1.8	3,009	15.4	3,963	14.8
Others	2,302	12	3,073	15.7	3,000	11.2
Total	19,137	100	19,580	100	26,832	100



Domestic Social Contribution

Lotte Shopping gives a helping hand to the marginalized in our society. Employees are sharing love with local residents through donations and voluntary service. On top of that, we share the joy of helping the marginalized by expanding our activities into participatory campaign and public art.

Employees' Donation Culture

1%+1% Salary Donation

The 1%+1% Salary Donation System is a campaign to raise a sharing fund with 1% from salaries of Lotte Department Store's employees and matching grants from the company. The program began to help employees donate more conveniently. About 1,100 employees raised 500 million won for one year.

We Start Campaign

Since 2008, Lotte Mart has donate upwards of 100 million won every year by steadily taking part in the We Start Campaign by the Joong-Ang Ilbo in order to provide educational, welfare and health services for children of low-income families. Employees donate small changes (less than 1,000 won) from their salaries. The Company donated the same amount through its matching grant program. Therefore, as of 2014, a total of 60 million won was donated. In addition, about 2,000 employees donated 1,004 won per account through a total of 38,420 accounts in the "1004 Won Love Account Campaign" in 2014. Besides, We Start piggy banks at stores are instrumental in customers' participation in a voluntary donation culture.

30th Lovely House Project

The fund raised through the 1%+1% salary sharing campaign was donated to the Community Chest of Korea for the 30th Lovely House project. The project to repair and remodel welfare facilities across the nation is aiming at completing a total of 30 facilities. This is not limited to simple donation. The volunteer team of a branch near a site of this project pays a visit the site and conducts volunteer service activities. This project has been a big help in diffusing donation culture since employees themselves took part in donations and voluntary service activities based on the donations. In addition, outside people heaped praises on the Paju Happiness Children's Welfare Center of the military built with donations from Lotte Shopping employees. The praises included a citation and the plaque of appreciation from the commander of the 25th Infantry Division of the Army.

Free Health Checkup Bus

Lotte Department Store's Free Health Checkup Bus is a social contribution activity where the bus visits social welfare centers and offer free health checkups of medically marginalized people across the nation. The bus has checked 2,139 disabled and low-income elderly people for about 70 diseases. In addition, we offered support to seriously ill patients for operations and treatments, helping them pull through.

Voluntary Service Team

Lotte Shopping is running voluntary service teams at its stores across the nation. The Company gives financial support to such teams to promote them. Each branch organizes a voluntary service team consisting of employees, employees of partners

and customers and conducts volunteer service activities near them. These teams are engaging in various activities such as supporting to broken families, helping home-alone senior citizens and cleanups of surrounding environments among other things. At the same time, they are pulling together with about 300 organizations such as local governments, NGOs and social welfare facilities to reach out to more people in need.

Happy Dream Corps

Lotte Mart inaugurated the Lotte Mart Happy Dream Corps under the slogan of "A Better Future for Children" in October 2011. Up to the present, a total of 126 corps has signed sisterhood agreements with 126 children's welfare centers and are conducting various sharing activities every month. Participants totaled 50,000 and over 1,000 employees are voluntarily taking part in these activities a month on average. With an eye towards helping about 6,500 children become constructive members of society, we develop and offer various programs for growth stages such as talent donation, educational, material and employment support and sponsorship for Didim Siat Bankbook from childhood to adolescence to adulthood.

Happy Dream Customer Corps

In May 2014, Happy Dream Customer Corps took its first step forward in order to build an integrated sharing network among Lotte Mart, customers and local governments. At the moment, 20 corps are being run. They are implementing various sharing activities not only for children's welfare centers but for the socially weak such as home-alone senior citizens, low-income families and traditional markets.

Lovely Hands Campaign

In partnership with Anam Hospital of Korea University, Lotte Department Store mounted the Lovely Hands Campaign with a view to giving a helping hand to children suffering from rare stubborn diseases. The company ran the campaign via social media such as its homepage, FaceBook, Kakao Story and Instagram among others from March 27 through April 12, 2014. Each participating customer translated into Lotte Department Store's contribution of 1,000 won. The participation of about 100,000 people drove up the fund to 100 million won which was donated to the hospital on April 14. This campaign became more meaningful in that it attracted a large number of customers at home and abroad. Going forward, we will continue to wage sharing campaigns not for simple donation but with the active participation of customers.

Rubber Duck Project Seoul

"Rubber Duck Project Seoul" was Lotte Department Store's first massive public art project in honor of the successful opening of Lotte World Mall. Rubber Duck appeared on Seokchon Lake in October 2014, drew about five million visitors during the exhibition period and hit 630 million won in direct sales. In addition, about 4,700 stories were written about Rubber Duck, giving rise to powerful publicity effects. Rubber Duck toys were given to customers as gifts during a bargain sale period in October, fueling Rubber Duck's popularity. Proceeds of 150 million won from Popup Stores at the Seokchon Lake, main, Jamsil and Busan branches went to Health Checkup Bus, sharing customers' love with society.



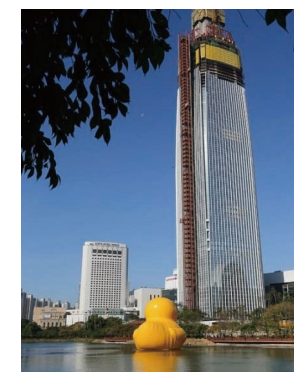
1%+1% donation application form



Lovely House Project



Free Health Checkup Bus



Rubber Duck Project



Lovely Hands Campaign

Happiness Sharing N Campaign

Lotte Mart has been running “the Happiness Sharing N Campaign” in order to contribute to the establishment and spread of virtuous cycle-based donation campaigns since 2010. The campaign donates 0.5% of sales of products with “Happiness Sharing N Mark” on. Six campaign items in 2010 soared to 73 in 2014, elevating the amount of donations to 180 million won from 29 million won. Like this, we are steadily expanding the scale of the project.

Didim Siat Bankbook

Lotte Mart has been joining the “Didim Siat Bankbook project” conducted by the Ministry of Health and Welfare to give financial support to orphans who become 18 years old and have to leave their orphanages. The Company raises a fund with 0.5% of PB product sales at Toys“R”Us, one of its representative killer category stores. We are supporting teenaged orphans’ growth and entries into society by sponsoring 430 bankbooks in 2013 and 650 in 2014.

Donating Materials and Equipment to Disabled People's Welfare Facilities

In conjunction with the Lotte Foundation, Lotte Mart donated groceries, household items, educational and medical supplies and equipment to model welfare facilities for the disabled. In 2014, we donated about 200 million won worth of materials and equipment to a total of 22 facilities. Besides, we are going ahead with various support projects for the marginalized in local communities including the disabled.



Ceremony to deliver funds raised through Happiness Sharing N Campaign

Global Social Contribution

Lotte Shopping is carrying out a variety of social contribution activities mainly in Asian countries to solve local environmental and social problems. Lotte Shopping contributes to enhancing locals’ quality of life by giving them urgently needed supports such as the protection of the environment, medical service, improvements in living conditions, and education among others.

Global Green Bikes

Roads are crowded with truck buses and motorbikes in many developing countries in Asia. There, many people use diesel oil loaded with impurities which makes engines fume out a lot of exhaust gas. In addition, such nations ran very low as they have poor environmental systems and their peoples have weak awareness about the protection of the environment. Globally, air pollution kills millions of people every year. In particular, serious situations are facing developing countries in Asia.

For the purpose of making an improvement to this situation, Lotte Department Store waged the Global Green Bike Campaign in concert with the Korea Green Foundation. The campaign collects and repair discarded old bikes in Korea and donates them to the marginalized abroad. This campaign is quite meaningful in two aspects since it can reduce waste and therefore, the environment in Korea and make an improvement to the lives of the marginalized abroad.

We collected 500 waste bikes, bought parts and tools for repair and sent them to Myanmar in 2015. Moreover, we secured a site for a bike repair center in Myanmar and provided bike repair classes to local residents. The repair center can get on its feet by renting and repairing bikes. This activity can create jobs for locals. At the same time, we can provide eco-friendly means of transportation by donating bikes to the marginalized including local orphanages and contributed to addressing environmental problems caused by exhaust gas.

Sharing Activities in Mongolia

Lotte Shopping carried out a sharing project three times in Mongolia from 2013 through 2015. The Company has conducted forestation, and medical activities with “Tree Planting People,” a congressional research group, the Office of Forestry and the Korean Open Doctors. Every year, Mongolia suffers from serious desertification of 480,000 hectares of land, 2.6 times bigger the size of Jeju Island. Lotte Shopping



Global Green Bikes



Sharing Activities in Mongolia

has conducted an afforestation project since 2007. In 2015, too, the company planted trees and took care of existing forests. A total of 2,000 trees including 800 elm trees and 300 pot seedlings were planted through the project. Moreover, we offered 1,100 local residents free medical services in the Nalak area in concert with the Korean Open Doctors. The medical services included simple emergency operations possible in the area, acupuncture, tooth extractions and scaling. Besides, we successfully completed various sharing activities such as building a mobile children library, donating books and cleaning up surrounding environments.

Social Contribution Activities in Vietnam

Lotte Shopping is growing into a trusted distribution company which contributes to the development of local communities by steadily carrying out activities such as build drinking water facilities, opening Lotte School and sponsoring Sejong School in Vietnam which the company made a foray into.

Drinking Water Facilities in Vietnam

Although Vietnam has much rain, the nation suffers from a shortage of drinking water. The situation is aggravated by the poor management of rainwater collection equipment at homes and public facilities. Residents in Kuke Village near Hanoi always have difficulties in securing potable water. To give the most urgently needed support to them, Lotte Shopping donated two pieces of equipment to process rainwater into potable water in partnership with the Rainwater Research Center at Seoul National University. The two pieces of equipment with a capacity of producing ten tons of drinking water supply one to three liters of potable water to about 1,000 residents.

Vietnam Lotte School

Lotte Shopping has implemented the Lotte School project in Vietnam in order to enhance education infrastructure which was poor compared to high education fever. The groundbreaking ceremony was held to build the third Lotte School in Kaubien Village in August 2014 after the first in Sonki Village in September 2009 and the second in Tamdi Village in February 2011. The third school was completed in June 2015. In the first place, Kaubien Elementary School was built with cheap asbestos cement that does the health of student a lot of harm 14 years ago. Students were using desks and chairs which were over 20 years old and a toilet



Drinking Water Facilities



Vietnam Lotte School

regardless of gender. Children at Kaubien Kindergarten near the elementary school were exposed to risks such as avalanches and wild animals as it was located below a steep mountain slope. For the purpose of addressing these problems, we helped children learn in safe environments by carrying out plastering on classroom ceilings, walls and floors and building restrooms and water supply and catering facilities.

Supporting Vietnam Hue Sejong Academy

In 2013, Lotte Mart established Hue Sejong Academy, a Korean language education organization, in Hue, Vietnam with BBB Korea and the Sejong Academy Foundation. Up to 2015, the company has provided expenses of about 100 million won needed to run Sejong Academy. Hue Sejong Academy in Hue in Vietnam was founded to foster global talent who will bridge Korea and Vietnam and promote exchanges with Vietnam. Not to mention Korean language education, the academy is carrying out various activities via which students can learn Korean culture such as Korea's traditional costumes and foods. A total of nine classes from a basic Korean class to a class for TOPIK (Test of Proficiency in Korean) produced about 200 graduates in 2014.



Hue Sejong Academy in Hue in Vietnam



Vietnam Lotte School

Stakeholder Sustainability Survey

Conducting Stakeholder Survey

Prior to the publication of its 2015 sustainability report, Lotte Shopping conducted a survey to collect the opinions of many stakeholders such as customers, employees and partners. 1,011 stakeholders participated in the online survey, giving us various opinions. Their valuable opinions were reflected in Lotte Shopping’s sustainability activities. We will share the results via the report.

Correlation between Sustainability Management and Brand Awareness

According to analysis of the correlation between corporate sustainability management and brand awareness, 79% of the respondents said that the brand image was improved through sustainability management while only 4% said that it was not. The results illustrate that many stakeholders were recognizing sustainable management as a very important matter. Additionally, 82.9% said that Lotte Shopping was active about sustainability management activities whereas 4.5% said that its activities left something to be desired. This exemplifies that most of them positively recognized Lotte Shopping’s sustainability management.

Participants in Survey

Customers	240 persons	23.7%
Employees	603 persons	59.6%
Shareholders	12 persons	1.2%
Investors	6 persons	0.6%
Partners	53 persons	5.2%
Local residents	34 persons	3.4%
Government officials	6 persons	0.6%
Research institutes and academia	6 persons	0.6%
NGO	9 persons	0.9%
Consulting firms	4 persons	0.4%
Media	3 persons	0.3%
Management staff	6 persons	0.6%
Others	29 persons	2.9%
Total	1,011 persons	100%

Evaluation of Lotte Shopping's Sustainability Management

Very active	637 persons	63.0%
Active	201 persons	19.9%
Average	128 persons	12.7%
Something to be desired	35 persons	3.5%
Many things to be desired	10 persons	1.0%

Taking lead in diffusing environmental values

Excellent	542 persons	54%
Good	262 persons	26%
Average	150 persons	15%
Bad	49 persons	5%
Very bad	8 persons	1%

Fulfilling legal responsibilities and implementing ethical management

Excellent	589 persons	58%
Good	242 persons	24%
Average	131 persons	13%
Bad	34 persons	3%
Very bad	15 persons	1%

Motivating employees to work happily and record excellent achievements

Excellent	493 persons	49%
Good	208 persons	21%
Average	170 persons	17%
Bad	89 persons	9%
Very bad	51 persons	5%

Vigorously conducting social contribution activities

Excellent	543 persons	54%
Good	245 persons	24%
Average	159 persons	16%
Bad	49 persons	5%
Very bad	15 persons	1%

Making efforts for win-win growth while valuing partners

Excellent	564 persons	56%
Good	244 persons	24%
Average	134 persons	13%
Bad	47 persons	5%
Very bad	22 persons	2%

Upgrading services and offering good products for customer satisfaction

Excellent	583 persons	58%
Good	267 persons	26%
Average	115 persons	11%
Bad	35 persons	3%
Very bad	11 persons	1%

GHG and Energy Objective Management Audit Statement

Reasonable Level of Assurance

- The Korea Standards Association was requested by Lotte Shopping to conduct the verification of Lotte Shopping’s 2014 GHG and energy objective management audit statement in accordance with the Guidelines of GHG and Energy Objective Management at a reasonable level of assurance.

Audit Target

- The audit verified the 2014 GHG emissions and energy use statement on emitting facilities within worksites of Lotte Shopping.

Audit Criteria

- The verification was conducted in pursuant to the guidelines of GHG and Energy Objective Management(MOE Notice No. 2014-186) and KS A/ISO 14064-1.3 and IPCC Guideline: 1996/2006.

Audit Limitation

- Not a total inspection but a sampling inspection forced materials used in the verification process to have limitations. In consequence, errors, omissions and misrepresentations may be latent in the materials.

Found Main Exception

- None.

Reason for Adequacy

- Lotte Shopping presented a reasonable report by taking into consideration the characteristics of worksites in related sectors such as the scope of reporting, the application of emission factors and parameters, emission calculation methods, data collection activities for production of the statement with enough related evidence.

General Comments

- Lotte Shopping properly collected activity data in accordance with internal management procedures on GHG emission calculation. It was possible to secure objective evidence such as computational data, trading statements, internal management journal, and uncertainty evidence needed to evaluate the GHG emissions and energy consumption reported by Lotte Shopping in the GHG emissions and energy use statement which Lotte Shopping submitted to the verification organization.

- Lotte Shopping abided by the guidelines in the scope of reporting, the application of emission factors and parameters, emission calculation methods for production of the statement. The Company secured transparency in its emission calculation process by discussing some items that cannot satisfy the requirements of the guidelines with governing organizations and reporting them in the statement.

- The Korea Standards Association verified the statement and rated it “adequate” since Lotte Shopping corrected some errors in the statement.

March 31, 2015

Verification Organization: The Korea Standards Association

Chairperson: Baek Soo-hyun



Assurance Statement

To the Management and the Stakeholders of LOTTE SHOPPING

SolAbility (hereinafter “the Assurance Provider”) was assigned by the management of Lotte Shopping (hereinafter “Lotte”) to conduct an independent third-party review of the Lotte Sustainability Report 2015 (hereinafter “the Report”). The objective of this review is to provide externally verification that statements and data presented in the Report are free from material errors or prejudice, based on accurate and appropriate data collection systems and data reported reflect actual performance. The Report was structured and prepared by the management of LOTTE, who retains responsibility for the contents and data presented in the Report.

Assurance Methodology

The Assurance Provider’s assurance work has been planned and performed in accordance with internal assurance guidelines that go beyond the requirements of international assurance standards (AA 1000, IEA 3000). The Report and its contents have been evaluated against the following criteria:

- Completeness: completeness of information in relation to LOTTE’s operations
- Materiality: materiality of Report contents in relation to internal and external impacts of LOTTE’s business activities
- Reliability: reliability and correctness of the information and data presented in the Report

In addition, the Report has also been assessed against the reporting criteria as outlined in the Global Reporting Initiative’s Sustainability Reporting Guidelines.

Scope of this assurance engagement

The Assurance Provider’s assurance engagement covers the following:

- Provision of assurance on whether information related to policies and management systems presented in the Report are reflected adequately
- Provision of assurance on whether non-financial data in the Report is presented in full, and free from material errors or prejudice. The review covers the following data sets: environmental data, health & safety data, as well as social data. Verification of non-financial data was conducted based on samples at corporate and store level
- Review of whether financial data has been derived adequately and correctly from the financial statements audited by an external third-party auditor

The scope of the work undertaken and verification of reported performance (qualitative and quantitative) represents “reasonable assurance” level according to international recognised assurance categorisation.

Assurance process and works undertaken

In order to provide reliable assurance to interested stakeholders on the information presented in the Report, the Assurance Provider undertook the following procedures during the assurance engagement:

Process to assure Completeness:

- Conducted LOTTE headquarter visits, interviewing high level management and operational managers of relevant business units
- Review of LOTTE’s business fields and business activities
- Review of the current sustainability issues that could affect LOTTE’s business and are of interest to LOTTE’s stakeholders
- Review of LOTTE’s impacts on stakeholders and the environment

- Reviewed relevant policies, guidelines and management systems at store and corporate level
- Process to assure Materiality:
- Reviewed LOTTE’ processes for determining material issues to be included in the Report, and adequacy of results of this process
 - Conducted LOTTE headquarter visits, interviewing high level management and operational managers of relevant business units
 - Reviewed LOTTE stakeholder engagement processes and results
 - Conducting a review of global sustainability reports of peer companies to benchmark disclosure levels
 - Reviewed external media and NGO reports on LOTTE’s business fields and LOTTE’s activities

Process to assure Reliability:

- Interview with relevant Lotte managers and executives from different departments and business units at HQ and site level
- Reviewed LOTTE approach to, and monitoring systems of, data collection and data management at corporate and site level
- Reviewed internal performance documentation of non-financial data presented in the Report
- Reviewed customer, employee, environmental, health and safety related data at store-level and verify the appropriateness of the data collection process from store-level to corporate-level
- Verified sample data to test the correctness of data collected from store-level to corporate-level

Limitations of this assurance engagement

The scope of this assurance engagement is limited to LOTTE headquarter and two sample sites visited in Korea (Lotte Mart, Lotte Department Store). The Assurance Provider did not conduct any visits to overseas facilities or projects in which LOTTE holds interests. Our review of data processes and data reliability 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 at corporate and store level, i.e. site-level data has not been verified individually. Our review of the data processes at operations level was limited to the LOTTE-operated businesses visited. The level of work undertaken leads to reasonable assurance according to internationally recognised assurance categorisations.

Findings

We reviewed and provided feedback on drafts of the Report and the data presented within. On the basis of the work undertaken, nothing came to our attention to would suggest that the Report does not adequately reflect 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”

Completeness

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

- We consider that the information contained in the Report sufficiently covers relevant aspects of LOTTE’s business activities, sustainability management and performance according to LOTTE’s specific business and operations
- We are not aware of any additional issues of stakeholder interest that are not currently included in the Report’s scope and content.

Materiality

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

- LOTTE regularly conducts materiality test, by which LOTTE internally and externally measures the materiality of its sustainability related issues and challenges. We have reviewed internal materiality evaluation processes and external stakeholder-related information and stakeholder engagement process, and consider that the information presented in the Report responds to most stakeholder information needs and requests
- We are not aware of any material aspects concerning LOTTE’s sustainability performance which have been excluded from the Report.
- 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 correct and free from material errors or misstatements?

- We have reviewed internal policies, processes and management systems, and verified data samples both on site level and corporate level. Nothing has come to our attention that would cause us to believe that the Report contents and data presented in the Report has not been properly collected, consolidated and reported from information reported at operations level.
- 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 are not free from material errors or misstatements.

Issues for further consideration

The following issues do not affect our conclusions, but represent recommendation for further improvements to LOTTE’s sustainability performance and reporting there of:

- Develop a more direct and essential approach to measure sustainability performance for a better internal progress monitoring across all business units
- Develop group-level sustainability performance targets for LOTTE’s sustainability management and describe yearly progress against these targetsin the report

- Developing measurement systems to quantify the monetary and non-financial value of sustainability management activities
- Define regional sustainability issues in relation to LOTTE’s overseas business expansion, and include them in the report
- Refine group-level sustainability strategies and management tools through active communication and capitalising on synergies between the different business units, in particular LOTTE Department Store and LOTTE Mart.
- Further develop systems to quantify and pro-active management of sustainability risks and opportunities throughout the value chain to extend win-win co-operations with suppliers


Our independence

The Assurance Provider 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 Assurance Provider under LOTTE’ influence, therefore ruling out any possible conflicts of interest.

August 30, 2015
Andy Gebhardt Director, SolAbility Ltd.



SolAbility Ltd. is a Sustainability Advisory exclusively specialised in corporate sustainability management services for corporate clients with representation in Korea and Switzerland.



UN Global Compact



Lotte Department became a member of the UN Global Compact, a first for a department store in January 2007 and is supporting the UN's goals in the human rights, labor, environment and anti-corruption sectors. The Company declares that the ten principles of the UN Global Compact are part of its corporate strategies, culture and management.

Category	Principle				Page
Human Rights	Principle1. Businesses should support and respect the protection of internationally proclaimed human rights; and	Code of Ethics	Article 10 in Chapter 4	Honored	32~35
		Code of Ethics	Article 17 in Chapter 6	Sound corporate activities	32~35
	Principle2. make sure that they are not complicit in human rights abuses.	Code of Ethics	Article 10 in Chapter 4	Honored	32~35
Labor	Principle3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Code of Ethics	Article 10 in Chapter 4	Honored	62
	Principle4. the elimination of all forms of forced and compulsory labor;	Code of Ethics	Article 10 in Chapter 4	Honored	62
	Principle5. the effective abolition of child labor; and	Code of Ethics	Article 10 in Chapter 4	Honored	32~35
	Principle6. the elimination of discrimination in respect of employment and occupation	Recruitment Regulation	Article 4 in Chapter 1	Equal treatment	52~56
Environment	Principle7. Businesses should support a precautionary approach to environmental challenges;	Code of Ethics	Article 19 in Chapter 6	Eco-friendly	70~78
	Principle8. undertake initiatives to promote greater environmental responsibility; and	Code of Ethics	Article 19 in Chapter 6	Eco-friendly	70~78
Anti-Corruption	Principle9. encourage the development and diffusion of environmentally friendly technologies.	Code of Ethics	Article 19 in Chapter 6	Eco-friendly	70~78
	Principle10. Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Ethics	Article 17 in Chapter 6	Sound corporate activities	32~35

GRI G4 Index

●: Reported ◐: Partially reported ○: Not reported N/A: Not applicable

General Standard Disclosures

Aspect	No.	Indicator	Reporting Level	Page
Strategy and Analysis	G4-1	Statement from the most senior decision-maker of the organization (e.g., such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	●	3~5, 28~29
	G4-2	Description of key impacts, risks, and opportunities	●	11~13
Organizational Profile	G4-3	Name of the organization	●	6~7
	G4-4	Primary brands, products, and services	●	6~7
	G4-5	Location of the organization's headquarters	●	1
	G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics in the report	●	8~9
	G4-7	Nature of ownership and legal form	●	6~7, 30~31
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	6~7
	G4-9	Scale of the organization, including	●	6~7
		- total number of employees, total number of operation, Net sales (for private sector organizations) or net revenues (for public sector organizations), total capitalization, Quantity of products or services provided etc.	●	6~7, 17
	G4-10	a. Total number of employees by employment contract and gender	●	53
		b. Total number of permanent employees by employment type and gender		
		c. Total workforce by employees and supervised workers and by gender		
		d. Total workforce by region and gender		
		e. Whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or byindividuals other than employees or supervised workers, including employees and supervised employees of contractors		
		f. Significant variations in employment numbers (such as seasonal variations in the tourism or agricultural industries)		
	G4-11	Percentage of total employees covered by collective bargaining agreements	●	62
	G4-12	Organization's supply chain	◐	17, 67
	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or supply chain.	N/A	-

●: Reported ◐: Partially reported ○: Not reported N/A: Not applicable

Aspect	No.	Indicator	Reporting	
			Level	Page
Organizational Profile	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	●	32~35
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	●	32, 43, 45, 62, 66, 71
	G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	●	80~85
Identified Material Aspects and Boundaries	G4-17	a. List of all entities included in the organization's consolidated financial statements or equivalent documents	●	cover, 6~7
		b. whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.		
	G4-18	a. Process for defining the report content and the Aspect Boundaries.	●	cover
		b. how the organization has implemented the Reporting Principles for Defining Report Content		
	G4-19	List all the material Aspects identified in the process for defining report content	●	12
	G4-20	Aspect Boundary within the organization	●	cover
	G4-21	Each material Aspect Boundaries outside the organization	●	cover
	G4-22	Effect of restatements of information provided in previous reports, and the reasons for restatement	○	-
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	cover
Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization	●	12
	G4-25	Basis for identification and selection of stakeholders with whom to engage	●	12
	G4-26	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group, and whether any of the engagement was undertaken specifically as part of the report preparation	●	12
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to them, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	●	12
Report Profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided	●	cover
	G4-29	Date of most recent previous report (if any)	●	29
	G4-30	Reporting cycle (such as annual, biennial)	●	29
	G4-31	Contact point for questions regarding the report or its contents	●	cover
	G4-32	a. 'in accordance' option the organization has chosen	●	cover, 90~94
		b. GRI Content Index for the chosen option		
		c. External Assurance Report		
	G4-33	a. Organization's policy and current practice for seeking external assurance for the report	●	cover, 88~89
		b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided		
		c. Relationship between the organization and the assurance providers		
		d. Report Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report		
Governance	G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	●	28~31
	G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	●	28~31
	G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	●	28~31
	G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	●	28~31
	G4-38	Composition of the highest governance body and its committees by	●	28~31
		-Executive or non-executive, Independence, Tenure on the governance body, Number of each individual's other significant positions and commitments, and the nature of the commitments, Gender, Membership of under-represented social groups, Competences relating to economic and environmental and social impacts, Stakeholder representation		
	G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	●	28~31
	G4-40	nomination and selection processes for the highest governance body and its committees	◐	28~31
	G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Whether conflicts of interest are disclosed to stakeholders	◐	28~31
	G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	●	28~31
	G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	●	28~31

GRI G4 Index

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General Standard Disclosures				
Aspect	No.	Indicator	Reporting Level	Page
Governance	G4-44	a. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report Whether such evaluation is independent or not, and its frequency. Report Whether such evaluation is a self-assessment	●	28~31
		b. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice		
	G4-45	a. Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes	●	28~31
		b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities		
	G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	●	28~31
	G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	●	28~31
	G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all materialAspects are covered	●	28~31
	G4-49	Process for communicating critical concerns to the highest governance body	●	28~31
	G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	●	28~31
	G4-51	a. the remuneration policies for the highest governance body and senior executives	●	28~31
		b. how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.		
	G4-52	Process for determining remuneration. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Any other relationships which the remuneration consultants have with the organization	◐	28~31
	G4-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	◐	28~31
	G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	○	-
	G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	○	-
Ethics and Integrity	G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	●	32~35
Integrity	G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	●	32~35
	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistle blowing mechanisms or hotlines	●	32~35

Specific Standard Disclosures

Material Aspects (As in G4-19) List identified material Aspects.
DMA and Indicators List Specific Standard Disclosures related to each identified material Aspect, with page number (or link).

ECONOMIC				
Economic	G4-EC1	Direct economic value generated and distributed	●	8, 9, 16, 19
Performance	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	75~76
	G4-EC3	Coverage of the organization's defined benefit plan obligations	N/A	-
	G4-EC4	Financial assistance received from government	N/A	-
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	○	-
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	◐	8~9, 54
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	●	79~85
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	●	79~85
Procurement	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	●	63
Practices				

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Environmental				
Materials	G4-EN1	Materials used by weight or volume	N/A	-
	G4-EN2	Percentage of materials used that are recycled input materials	N/A	-
Energy	G4-EN3	Energy consumption within the organization	●	76
	G4-EN4	Energy consumption outside of the organization	N/A	-
	G4-EN5	Energy intensity	○	-
	G4-EN6	Reduction of energy consumption	●	75~78
	G4-EN7	Reductions in energy requirements of products and services	●	75~78
Water	G4-EN8	Total water withdrawal by source	●	76
	G4-EN9	Water sources significantly affected by withdrawal of water	○	-
	G4-EN10	Percentage and total volume of water recycled and reused	◐	76
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	○	-
		Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		
	G4-EN13	Habitats protected or restored	○	-
	G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	○	-
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	●	77
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	●	77
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	○	-
	G4-EN18	Greenhouse gas (GHG) emissions intensity	○	-
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	●	75
	G4-EN20	Emissions of ozone-depleting substances (ODS)	N/A	-
	G4-EN21	NOX, SOX and other significant air emissions	N/A	-
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	N/A	-
	G4-EN23	Total weight of waste by type and disposal method	●	76
	G4-EN24	Total number and volume of significant spills	N/A	-
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention annex I, II, III, and VIII, and percentage of transported waste shipped internationally	N/A	-
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	○	-
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	75~78
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	●	75~78
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N/A	-
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	○	-
Overall	G4-EN31	Total environmental protection expenditures and investments by type	●	75~78
Supplier Environmental	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	○	-
Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	N/A	-
Environmental	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	N/A	-
Grievance Mechanisms				
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	●	53
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	○	-
Labor/ Management Relations	G4-LA3	Return to work and retention rates after parental leave, by gender	○	-
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	○	-
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	◐	62
Health and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	○	-
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	○	-
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	○	-

GRI G4 Index

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Specific Standard Disclosures				
Aspect	No.	Indicator	Reporting Level	Page
SOCIAL				
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	●	57
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them inmanaging career endings	●	61–62
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	57
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	53
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	○	-
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	○	-
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	○	-
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	●	62
Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	○	-
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	○	-
Nondiscrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	○	-
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	○	-
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	◐	32–35
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	◐	32–35
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	○	-
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	○	-
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	○	-
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	○	-
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	○	-
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	●	34
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	○	-
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	○	-
Anti-Corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	○	-
	G4-SO4	Communication and training on anti-corruption policies and procedures	●	32–35
	G4-SO5	Confirmed incidents of corruption and actions taken	●	32–35
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary	N/A	-
Anti-Competitive Behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	○	-
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	○	-
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	○	-
	G4-S10	Significant actual and potential negative impacts on society in the supply chain and actions taken	○	-
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	◐	64
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	◐	48
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their lifecycle, by type of outcomes	◐	48
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	◐	48
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	○	-
	G4-PR5	Results of surveys measuring customer satisfaction	●	15, 19

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Aspect	No.	Indicator	Reporting Level	Page
SOCIAL				
Marketing	G4-PR6	Sale of banned or disputed products	○	-
Communications	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	○	-
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	○	-
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	○	-