

LOTTE SHOPPING

LOTTE SHOPPING
SUSTAINABILITY REPORT 2014

think
tomorrow

to

to our stakeholders

2014 Lotte Shopping Sustainability Report is a message to stakeholders as Lotte Shopping wants to grow together with various stakeholders while communicating with them. The report is loaded with three themes – Sustainable Culture (Today), Sustainable Value (Together) and Sustainable Action (Tomorrow).

today

together

tomorrow

00 Introduction

- 00 Contents
- 01 About This Report
- 02 CEO's Message

06 Overview

- 06 Business Overview
- 08 Global Business
- 10 2013~2014 Highlights

12 Sustainable Business

- 12 Business Model and Future Vision
- 14 Risk Map based on Business Plan
- 15 Relationships with Stakeholders
- 16 Developing Sustainability Strategies thorough Crises and Opportunities
- 17 Sustainability Management KPIs
- 20 Sustainability Strategy 3

22 Sustainable Culture

- 24 Summary
- 25 Lotte Shopping's CSV
- 26 Sound Corporate Governance
- 28 Ethical Management
- 30 Innovation Culture

34 Sustainable Value

- 36 Summary
- 37 Customer Service
- 40 Customer Information Protection
- 41 Safety of Customer
- 42 Service Education
- 45 Financial Support for Partners
- 46 Fair Trade Compliance Program
- 48 Win-win Growth
- 50 Talent Recruitment
- 52 Organizational Culture
- 53 Performance Management
- 55 Human Resources Development
- 59 Employee Welfare Programs

64 Sustainable Action

- 66 Summary
- 67 Environmental Management
- 68 Environmental Management Index
- 71 Eco-Friendly Activities
- 76 Social Contribution Strategy
- 77 Global Social Contribution
- 79 Domestic Social Contribution
- 81 Product Development
- 83 Food Safety
- 85 Online Business, Community Cooperation-Based Products
- 87 Achievements by Key Issues

88 Appendix

- 88 Stakeholder Sustainability Survey
- 89 GHG and Energy Objective Management Audit Statement
- 90 Assurance Statement
- 92 UN Global Compact, GRI G4 Index (Core)

ABOUT THIS REPORT

1. Application of GRI G4.0 Guideline

2014 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

2014 Lotte Shopping Sustainability Report covers Lotte Shopping's four business divisions (Lotte Department Store, Lotte Mart, Lotte Super, and Lotte Cinema). The report coverage extends to the headquarters and all branches of Lotte Department Store and of Lotte Mart. The company overview and financial results are based on Lotte Shopping Co., Ltd.

3. Reporting Period

2014 Lotte Shopping Sustainability Report's period is from January 1 2013 to December 31, 2013. If necessary, based on the going concern principle, the report includes partial coverage of sustainability management activities in the first half of 2014. For quantitative performance data, it is presented with the most recent three years' data in order to achieve the 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 2014 and was acknowledged globally for its outstanding performance of sustainability dedication; in addition, it was appointed as the Retail Industry Group Leader (Distribution Sector Global Number 1) for four consecutive years from 2010 to 2014. Henceforth, we will continue our dedication in communicating with our stakeholders incorporated with the comprehensive CSV management system and fulfilling our corporate social responsibility.

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

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 2014 and was acknowledged globally for its outstanding performance of sustainability dedication; in addition, it was appointed as the Retail Industry Group Leader(Distribution Sector Global Number 1) for four consecutive years from 2010 to 2014. Henceforth, we will continue our dedication in communicating with our stakeholders incorporated with the comprehensive CSV management system and fulfilling our corporate social responsibility.

Additional Information

For inquiries and more information, please contact the following.

Lotte Department Store, Marketing Division, Marketing Team II, Corporate Social Responsibility, Address: 20th Floor, Lotte Shopping Center Building, 1 Sogong-dong, Jung-gu, Seoul, Korea TEL: 82-2-2118-2030~3 FAX: 82-2-2118-2214 E-mail: touringjoseph@lotteshopping.com

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



Lotte Shopping's dream is to see
all people live rich and happy lives.

To achieve this objective,
we are implementing sustainability
management through mutual
prosperity with our customers,
employees, partners,
local communities and further,
international communities.

LOTTE SHOPPING



We Will Create a Better Tomorrow through Sustainability Management

I would like to express my genuine gratitude to all people who have a strong interest in Lotte Shopping and give us their steady support. Last year, Lotte Shopping encountered fierce headwinds from a worldwide economic slump and weakened domestic consumer confidence. But we would not be deterred by these unfavorable situations. We were confident that Lotte Shopping could continue to grow through the active opening of new branches and the expansion of its business into untapped overseas markets.

In addition to economic activities, we carried out a wide array of social-outreach activities such as an overseas forestation project, supplying free solar power lamps, free medical services and mutual prosperity agreements with traditional markets because we have a strong sense of responsibility as a sincere corporate citizen. The interest and effort we displayed translated into tangible results in various sectors. Lotte Shopping was honored to rank first (Industry Group Leader) for the fifth straight year in the distribution category of the 2014 Dow Jones Sustainability Index, and Lotte Shopping has been in its world category for six consecutive years. Furthermore, Lotte Shopping placed third in the department sector of the Forbes Global 2000 according to the world-class business magazine Forbes and was honored as the Best CSR Company at the World Retail Awards, the world's biggest ceremony of awarding prizes to retail companies, cementing its global status even more.

In the future, Lotte Shopping will continue to take powerful steps to grow into a company that merits more trust and support by adhering to three key concepts—that is, “fair play-based” management, practical management and sustainability management. All of our stakeholders will be able to take part in our onward and progressive movement. I remind you of the saying, “If a man goes by himself, he can go fast. But if a man goes with others, he can go far.” Lotte Shopping will go together with its partners and customers by seeking the above-stated mutual prosperity through fair trade and living up to customers' high expectations. We will do so with superior quality and excellent service.

Once again, I would like to thank all of those who have helped make Lotte Shopping what it is today. We ask for your ongoing support and encouragement so that our passion and efforts produce better and bigger results.

Thank you.

CEO Lee Won Joon
Lotte Shopping Co., Ltd.



We Will Communicate with Stakeholders and Pursue Shared Growth with Them

Ceaseless innovation, product competitiveness best represented by the “Tongkeun” and “Sonkeun” brands, and the development of future growth engines are helping to cement the status of Lotte Mart as a global distribution player. This is so despite a rapidly changing business environment keyed by a slowdown in economic growth at home and abroad along with tightened restrictions. Moreover, our company is implementing sustainability management to satisfy not only customers and employees, but also partners and stakeholders in local communities.

In particular, we topped the NCSI standings at number one for three years in a row on the basis of customer satisfaction. The National Win-Win Index picked Lotte Mart as the best company in the distribution industry. It is worth noting that we operate the largest number of green stores designated by the Ministry of Environment, in an effort to spread eco-friendly values among the people. Our 119 Lotte Mart Happiness Sharing Volunteer Groups play their roles with the proper spirit as local distributors that grow with local communities through unfeigned profit-sharing activities across the country.

Lotte Mart will not rest on its laurels and promises to solve social problems by fostering win-win growth with mom-and-pop shops, shared growth with partners and a reduction in global warming greenhouse gas emissions. It is imperative for Lotte Mart to have the active cooperation of its stakeholders to steadily grow as a global company. In the future, we will continue to put our utmost efforts into listening to your voices and carrying out the noble pursuit of sustainability management. Your support and interest will enable us to achieve our shared goals.

CEO Noh Byeong-yong
Lotte Shopping Co., Ltd. – Lotte Mart



Lotte Super’s Efforts for Sustainability Management Will Accompany Eco-Friendly Distribution Culture

CEO Choi Choon Seok
Lotte Shopping Co., Ltd.
Supermarket Division

Lotte Super grew almost exponentially for 14 years from 2001. The company is steadily implementing environmental and social contribution activities with the ultimate goal of bringing happiness and better lives to customers.

As part of its environmental management, Lotte Super is promoting the use of eco-friendly packaging materials through an agreement signed with the Ministry of Environment in 2009. Our company has been selling recyclable waste bags instead of plastic shopping bags since signing a self-regulatory agreement in October 2011. At the same time, we are pulling out all the stops to protect the environment and save energy by using LED lamps in signboards and illumination.

In addition, we are helping to promote local economies by dealing in local products ahead of others and favoring local residents in recruitment under the slogan, “Fresh Products and Friendly Neighbors.” Direct deals with organic farming complexes supply eco-friendly agricultural products to us. Recently, by developing “Organic Vegetables with Faces” products, we are endeavoring to pursue shared growth with partners in addition to supplying eco-friendly products.

In the years ahead, Lotte Super will become a company that sincerely play its social roles and fulfill its social responsibilities by conducting a wide variety of social-contribution activities based on win-win growth with partners in addition to the enhancement of energy reduction and green purchases.



We Will Value Customer Satisfaction, Love of the Environment and Safety above Anything Else

CEO Cha, Won chun
Lotte Shopping Co., Ltd.
Cinema Division

Lotte Cinema is a global total entertainment company that operates multiplex theaters, and invests in and distributes films at home and abroad. Lotte Cinema, a multiplex chain founded through domestic capital and technologies, began to build a national network by opening Lotte Cinema Ilsan in October 1990. Since then, Lotte Cinema has not stopped progressing. It created Korea’s first multiplex cultural space. Taking the lead in a new revolution in theaters such as “Family Theater” and “Life-Friendly Multiplex,” Lotte Cinema is fulfilling its responsibilities and duties as a multiplex leader.

Lotte Cinema’s creed is “Love of Human Beings, Nature and the Environment and Safety of Customers,” and it aims to deliver special satisfaction to customers. This creed may be seen in how we select the locations of our theaters and various services. Strongly determined to bring warm and happy memories to customers, Lotte Cinema not only offers a comfortable movie-watching environment with eco-friendly facilities and state-of-the-art equipment, but various services that customers could hardly expect.

We put into practice our belief that the company is always for customers. In addition, we spare no efforts to keep Lotte Cinema theaters accident-free through rigorous safety management. All employees of Lotte Cinema will enable theaters to present beautiful and enjoyable films by respecting and valuing customers, and placing top priority on making them comfortable. We do so with one accord. Furthermore, it is our intention to grow into a respected, global sustainable enterprise by catering to the needs of various stakeholders with a never-ending focus on customer satisfaction.

Business Overview

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

Company name	Established date	CEO	Core Business	No. of Employees	Capital
Lotte Shopping Co., Ltd.	November 15, 1979	Lee Won-Jun	Large-scale retail business	28,940	157.4 Billion KRW

Lotte Department Store is the leader in the department business in Korea. The opening of additional branches of its department and outlets increased its sales by 3%, expanding its market. At home, Lotte Department opened Lotte Outlets Seoul Station, Lotte Outlets Buyeo, Lotte Outlets Icheon and expanded Lotte Outlet Gimhae. The Company is accelerating its advancement into overseas markets such as opening Lotte Department Store Weihai, Lotte Department Store Chengdu Global Center in China and Lotte Shopping Avenue in Jakarta. On the other hand, Forbes Magazine selected Lotte Shopping as the number-one company in Asia and the Global No.3 in the department store section among its global 2000 companies in 2014, confirming its status in the world distribution market.

In 2013, Lotte Mart continued to grow by opening new branches at home and abroad, innovating merchandise and enhancing managerial efficiency despite a global economic slump. By actively opening new branches, the Company successfully opened a total of 27 branches -- eight branches at home and 19 branches abroad. Moreover, Lotte Mart is securing a new growth engine by launching “value innovation products” which focus not on price competition but on new product value.

Lotte Super cemented its position as a leading company by steadily opening new branches in terms of not only sales but the numbers of branches. We provide shopping convenience to each community by carefully selecting and selling fresh agricultural products, seafood, clothing and excellently packaged food, daily necessities and household goods at reasonable prices.

Furthermore, for win-win growth with small and medium-sized merchants, the company is steadily implementing mutual cooperation such as item adjustment and local product purchases.

By growing by leaps and bound while pursuing a custom-oriented multi-cultural space with one-stop cultural experiences such as cinema and eating out, Lotte Cinema has become a second-ranked company in the domestic theater industry in a short period of time. In addition, the Company has been taking its steps towards becoming a global entertainment company leading Asia by actively enter foreign markets such as Vietnam and China since 2008.

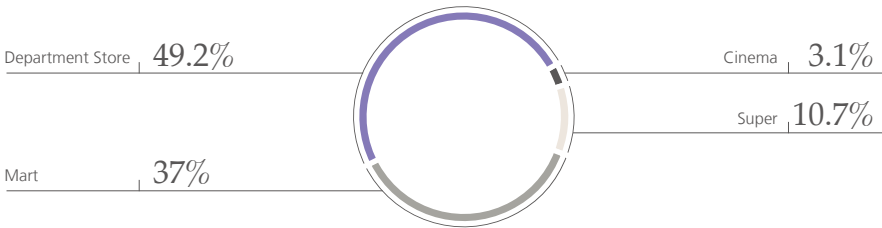
Lotte Shopping's Annual Revenues

(Unit: KRW 1 million)



Lotte Shopping Sales Ratios by Business Divisions

(as of 2013)



Lotte Department Store

Market	45.8%
Share in Korea	
Date of Establishment	November, 1979
Status of Stores	47 (41 in Korea, 6 abroad)
Sales Ratio by Business Division	49.2%
Major Products	Clothing, sundries, home appliances, furniture, jewelry, food

Lotte Mart

Market	15.9%
Share in Korea	
Date of Establishment	April, 1998
Status of Stores	254 (105 in Korea, 149 abroad)
Sales Ratio by Business Division	37%
Major Products	Food, household supplies, clothing, sundries

Lotte Super

Market	51.7%
Share in Korea	
Date of Establishment	May 2001
Status of Stores	404 (391 in Korea, 13 abroad)
Sales Ratio by Business Division	10.7%
Major Products	Food, household supplies, sundries

Lotte Cinema

Market	29.9%
Share in Korea	
Date of Establishment	October 1999
Status of Stores	121 (99 in Korea, 22 abroad)
Sales Ratio by Business Division	3.1%
Major Products	Film investment, distribution, screening

Global Business

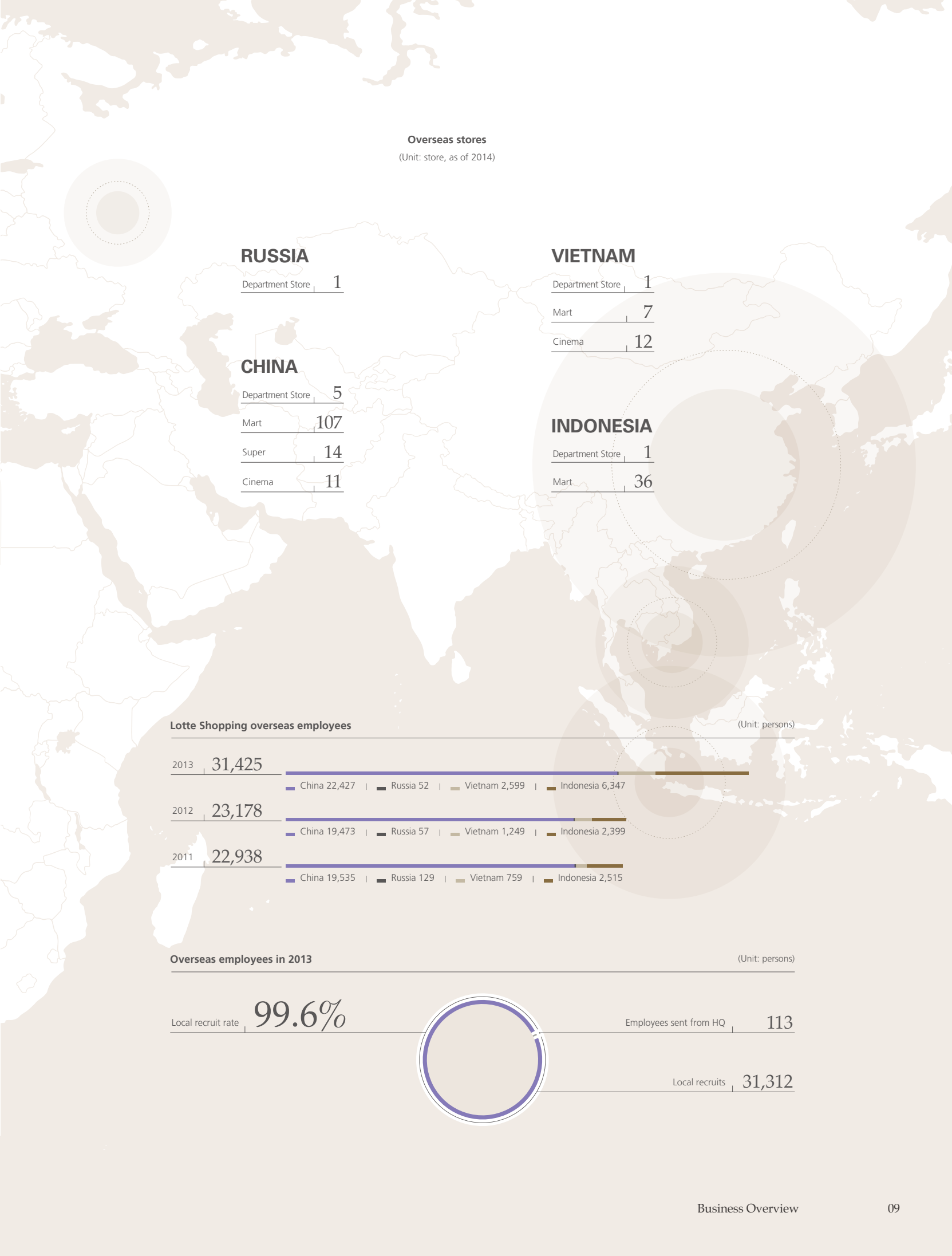
Lotte Shopping is consolidating its position as a global company by actively expanding into overseas markets beyond the domestic market. In particular, the Company is going ahead with strategic expansion, focusing on VRIC's (Vietnam, Russia, Indonesia and China) with a view to cementing its position as the number-one distributor in Asia. We are quickly and effectively carrying out a localization strategy through the aggressive opening of new stores and active M & A activities.

Lotte Department Store is actively opening new stores with its focus on four countries such as Vietnam, Russia, Indonesia and China. In particular, the Company is realizing global management based on the four strategies which focuses on advancement into new markets, products-MD, localization and responsibility management.

Lotte Mart, declaring its vision “No.1 Retailer in Asia,” is actively seeking out global business opportunities on the 70th anniversary of the Lotte Group. In 2014, Lotte Mart set “2014 Challenge: New Products, Store Evolution and New Customer Needs” as its strategic direction and is aggressively executing its global strategy to achieve its goal of Global Lotte Mart with 886 stores including 186 in Korea, 549 in China, 104 in Indonesia and 47 in Vietnam by 2018.

Lotte Super has opened the 1st store in Beijing, China in September last year and it is the beginning of global market penetration. Thus, it expands its global business incorporated with domestic business and establishes a foothold of various new market openings.

Lotte Cinema has launched the movie theaters business in Vietnam and China. In particular, the Company expands its influence on the local market by pursuing key strategies including collaborating with local partners, differentiating facilities and service and manpower localization.



2013~2014 Highlights

Lotte Shopping provides differentiated customer service and excellent products through constant innovation. Also, the Company is enhancing its brand value and corporate image through various activities in response to social and environmental issues. Based on these efforts, we solidify our position as a company with excellent sustainability in the future with high brand recognition from various national and international organizations.

DJSI World “Industry Group Leader”

Lotte Shopping was selected for Dow Jones Sustainability Indexes World (DJSI World) in September 2014 for six consecutive years, along with the honor of being singled out as the best global distribution corporation (Retail Industry Group Leader) for five consecutive years. This recognition serves as an opportunity for Lotte Shopping to be acknowledged globally for its financial performance as well as its commitment for social responsibility and environmental dedication.

“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 the 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

ISMS Certification

Lotte Department Store obtained an ISMS (Information Security Management System) certificate from the KISA under the Ministry of Science, ICT and Future Planning. The certification proved its stability of the administrative, technological and physical security of e-commerce services (eLotte, Cultural Center) of Lotte Department Store dealing with customer information.

ECM System

In order to strengthen its information security, Lotte Department Store introduced the ECM system and saved all of the HQ’s documents in an integrated server at the data center. The company bans the use of removable disks (USB memory sticks, external hard drives). Control procedures against confidential, sensitive information leakage were strengthened. Thus, even if an employee sends a document by e-mail, he or she should obtain approval from the heads of their departments. As a consequence, Lotte Department Store further strengthened the protection of customer information and its information security.

Coexistence Program with Traditional Market

Lotte Department Store, in April 2013, signed a cooperation agreement with chairmen of eight traditional market merchant associations. We are creating mutual benefits with traditional markets. We are trying to give practical helps including fundraising of 5 billion KRW for the main theme of “Vibrant and Fun Traditional market Creation.” Lotte Department Store leads the traditional market restoration by improving traditional market environment while utilizing vital know-how and ability of the Department Store to improve services and marketing.

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

Lotte Department Store took first place of the 2013 National Customer Satisfaction Index (NCSI) in the department store section in 11 consecutive years and Lotte Mart ranked first in the 2013 NCSI in three consecutive years in the large scale discount store section. The National Customer Satisfaction Index is a comprehensive analysis index of customer’s expectation and satisfaction on companies’ products and services. With this result, we are reassured our service competitiveness as well as our customer’s devotion and trust.

Grand Prize at 100 Great Work Places Awards in Korea

Lotte Department Store was awarded the grand prize at the Korea’s 100 Great Work Places Awards in distribution section for three consecutive years in recognition of its efforts to create a great work place such as the first day-care center in the department store business, a healing center, a compulsory parental leave and a substitute holiday system. Lotte Department Store will build a sound corporate culture by respecting employees and creating a nice work environment.

Winning WRA CSR Award

The World Retail Awards in which about 1,500 retail distributors participate every year is the world’s largest retailer award ceremony. Lotte Department Store was selected as the best enterprise in the CSR sector in 2014, proving its global competitiveness in CSR.

Global Social Contribution Activities

Lotte Shopping is conducting a variety of global CSR programs befitting its status as a global retailer. Its employees planted trees and offered medical services in the Lun Som Greenbelt Area of Mongolia. They also delivered solar lights, improved the environment, offered medical services and gave alms to a slum in Jakarta. In this manner, we implemented social contribution activities while taking into account local situations. Lotte Shopping will continue to perform its social contribution activities around the world as a global corporate citizen.

World Retailer of the Year Prize

Lotte Shopping nabbed the World Retailers of the Year Prize from the US Retail Association, a first for a Korean company. This prize is awarded by the NRF (National Retail Federation), the world’s largest retail trade association in the United States. Lotte Shopping was selected as the best company in recognition of excellence in seven categories such as revenue, sustainability and competitiveness which become main evaluation indices. This award will be another indicator showing the power of Lotte Shopping going global.

VISION & STRATEGY

Business Model and Future Vision

At Lotte Shopping, all employees share future visions and core strategies and are pushing forward with the realization of the visions based on strong execution power. With this, Lotte Department Store invest all of its capabilities in growing into one of the ‘Global Top 5 Department Stores by 2018’ and Lotte Mart is pursuing steady growth to realize the vision of “The No.1 Retailer in Asia.”

Key Strategies to Achieve Vision

Strengthening
Competitive
Edge in
Domestic
Market

DOMESTIC BUSINESS VISION
REALIZATION SYSTEM

- ① **Malling:** Expansion into department stores as a key tenant in mall, and creation of space where you can enjoy shopping and leisure at the same time
- ② **Culture & Entertainment:** Lifestyle-type space with commodity, culture, services, education, and entertainment

VISION IMPLEMENTATION STRATEGY

Strengthening MD and new store
openings existing branches

- » Strengthening self-regulatory MD: Establishment of process (strengthening manpower and re-establishing criteria) for strengthening MD / realizing self-regulatory MD through repetition of process
- » Diversification of new store concept: Differentiated concept studies (benchmarking and consulting) / study of business types at department stores and concept development

Reinforcing
Overseas
Business
Capacity

REINFORCING OVERSEAS BUSINESS
CAPACITY OVERSEAS BUSINESS
VISION IMPLEMENTATION SYSTEM

- ① **Local thorough market research:** Market structure, population, study of geographical characteristics, overseas positioning and strategy
- ② **Store and product lineup localization:** Step-by-step localization such as site selection, merchandising, store management and service policies
- ③ **Brand localization:** Building trust with communities and consumers, establishing strong local brands

VISION IMPLEMENTATION STRATEGY

Local business expansion based on
market research on China

- » Full-scale store expansion based on localization competence in China
- » Preparing online store in Chinese market

Expanding globally based on
localized capabilities via business in
China

- » Overseas business expansion in emerging markets outside China such as Vietnam and Indonesia

Expanding
New Growth
Engines

POSSIBILITY OF SECURING LASTING
CHANGE THROUGH DIVERSIFICATION
ACCORDING TO CUSTOMER NEEDS
AND CHANGES IN BUSINESS
ENVIRONMENT

- ① **Online Shopping Mall**
 - » Online business expansion based on existing offline capabilities
 - » Promoting online mall at each division
 - *Mart: Lotte Mart Mall
 - *Super: Internet Lotte Super
- ② **New Business Categories**
 - » Membership discount warehouse “VIC Market”
 - » “Garden Pet” for pets
 - » Discount gas station, Happy Dream



Store Increases by Years
(unit: stores)

Lotte Department Store

Items	2011	2012	2013
in Korea	36	38	41
Abroad	3	4	6

Lotte Mart

Items	2011	2012	2013
in Korea	124	137	149
Abroad	95	103	105

Lotte Super

Items	2011	2012	2013
in Korea	350	391	391
Abroad	0	4	13

Lotte Cinema

Items	2011	2012	2013
in Korea	75	91	99
Abroad	8	14	22

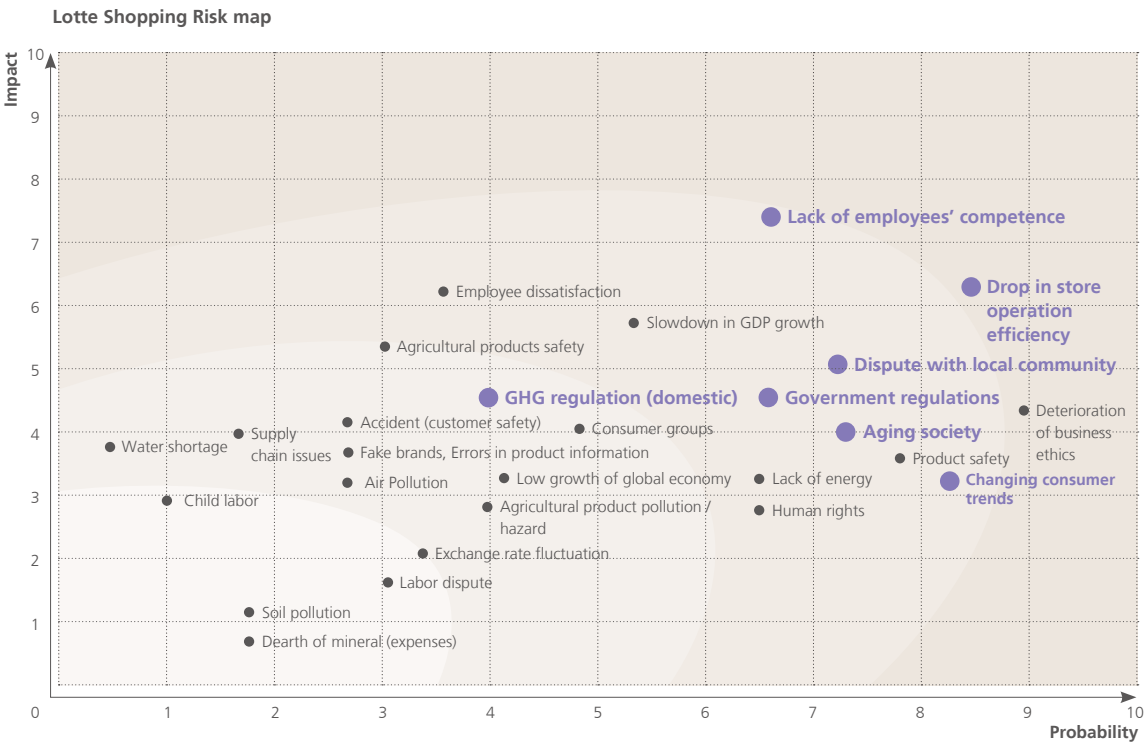
VISION & STRATEGY

Risk Map Based on Business Plan

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

Risks Surrounding Lotte Shopping

Business environment	GDP growth, global economy, currency fluctuations, competition among companies, advent of new business, government regulations on distribution business, entry into overseas markets
Products	fake brands, errors in product information
Environment	lack of energy, raw material shortages, climate change
Consumers	changing consumer trends, consumer groups, exercise, low-birthrate and aging society
Human Rights and Ethics	labor rights violations, child labor, workers' ethical violations, labor disputes
Disaster Accident	fires, natural disasters, facilities, accidents, traffic accidents, etc.



VISION & STRATEGY

Relationships with Stakeholders

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

Communication with stakeholders

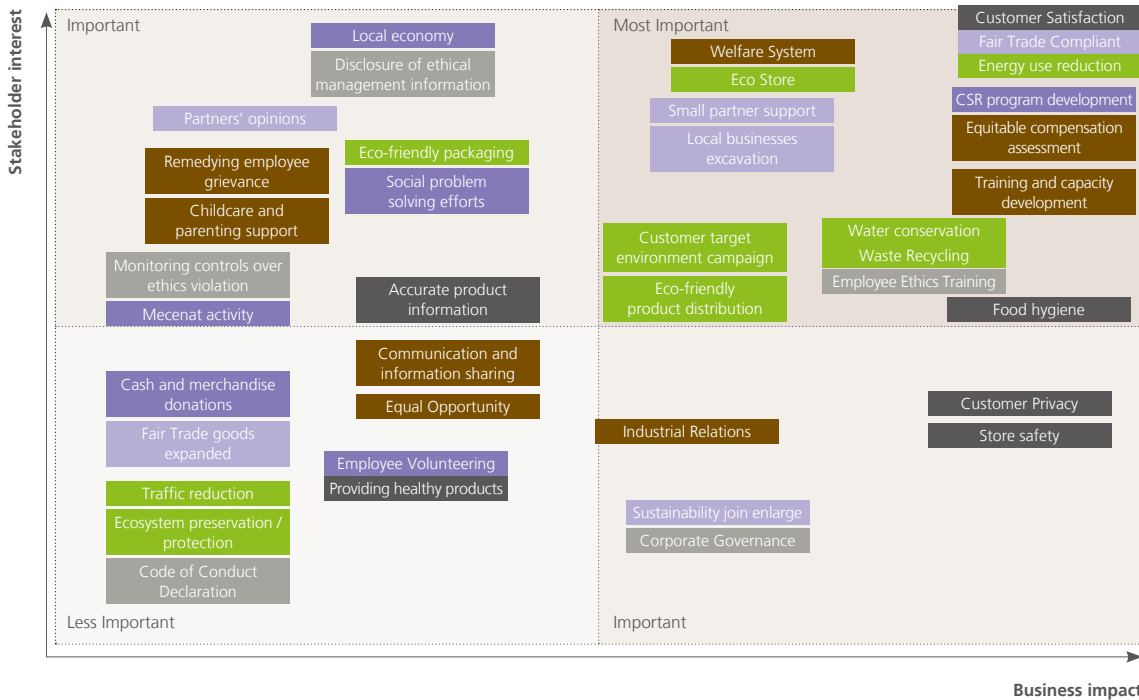
Areas of interest	Quality service, quality and safety of products, customer safety, information, security
Communication channels	Customer satisfaction surveys, VOC systems, customer service center, CRM system, customer management, customer mentoring scheme
Areas of interest	Work-life balance, training and personal development opportunities, fair evaluation and compensation, Human Rights
Communication channels	Employee Satisfaction Survey, Employee healing center, intranet, ideas, systems, labor-management council
Areas of interest	Win-win with partner companies, fair trade, environmental management spread
Communication channels	Partner Satisfaction Survey, partners Convention, open note to colleagues
Areas of interest	Economic performance, brand value
Communication channels	Shareholders' Meeting, IR activities, conference calls, Annual Report
Areas of interest	Community contribution, job creation, community contributions
Communication channels	Social contribution and environmental value management, community activities report
Areas of interest	Environmental management, social contribution and economic contribution
Communication channels	Government meetings, business conventions, government institutions involved

Respondents by Stakeholder Groups and Ratios

Customers	511(20.67%)
Employees	1,774(66.54%)
Partners	199(7.46%)
Local residents	50(1.88%)
NGOs	28(1.05%)
Institutes / academia	2(0.08%)
Shareholders and Investors	18(0.67%)
Others (government, media, etc.)	44(1.65%)
Total	2,666(100%)

■ Customers ■ Employees ■ Partners ■ Shareholders ■ Communities ■ Government

Stakeholder materiality analysis

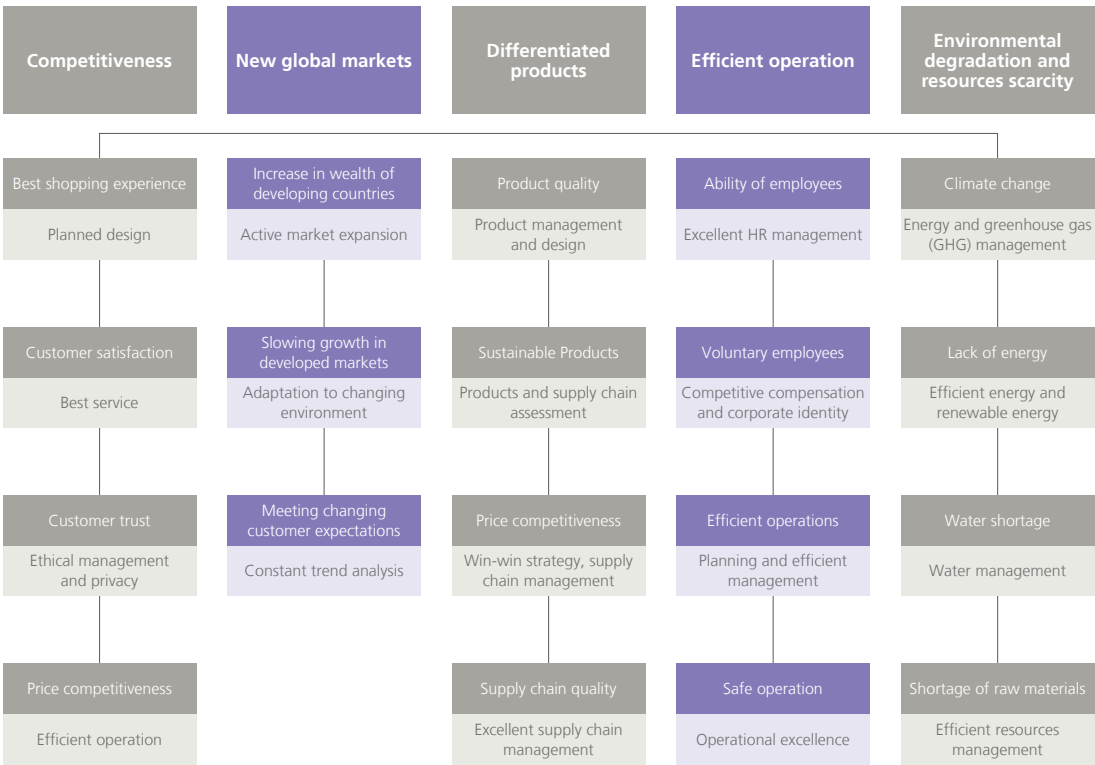


VISION & STRATEGY

Developing Sustainability Strategies through Crises and Opportunities

Developing Sustainability Strategies through Crises and Opportunities
Lotte Shopping drew up the following strategies for the purpose of maximizing opportunities from management and relationships with stakeholders and minimizing risks from both.

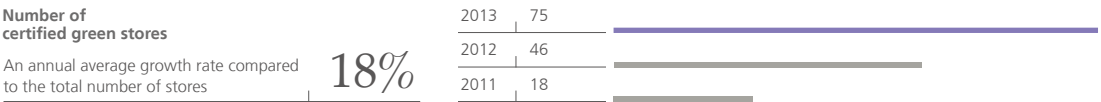
Sustainable Enterprise Lotte Shopping



VISION & STRATEGY

Sustainability Management KPIs

Major KPIs in Environmental Sector



Item		2011	2012	2013	Target for 2014
Number of certified green stores	Number of certified stores	18	46	75	116
	Percentage of certified stores	13.74	32.62	51.37	72.05
Number of stores in buildings with green building certificates	Number of stores in buildings with them	3	5	6	7
	Percentage of stores in buildings with them	2.29	3.55	4.11	4.35
Power consumption	Total amount ^(MWh)	1,086,997	1,086,653	1,134,878	
	Amount compared to area ^(kWh / m²)	177.04	147.53	145.24	1% reduction
Fuel consumption	Total power consumption ^(10000 Nm³)	3,467	3,609	3,498	
	Amount compared to area ^(Nm³ / m²)	5.65	4.9	4.48	1% reduction
GHG emissions	Total emissions ^(ton)	748,890	769,226	782,785	
	Amount compared to area ^(kg / m²)	121.97	104.44	100.18	1% reduction

Water and Waste

Item		2011	2012	2013
Water use	Total tap water consumption ^(thousand tons)	6,895	8,393	8,347
	Water use per unit area ^(l / m²)	1.2	1.21	1.14
Waste	Waste generation ^(ton)	82,304	91,847	94,286
	Emissions compared to area ^(kg / m²)	13.41	12.47	12.07
	Recycling ^(ton)	56,472	62,972	65,347
	Recycling rate ^(%)	68.6	68.6	69.3
Incineration and landfill ^(ton)		25,832	28,875	28,939

Management

Item		2011	2012	2013
Number of environmental certified stores	Department store ^(ISO14001-certified)	38	40	43
	Mart ^(obtaining Green Management System certificate)	92	97	104
Amount of green purchases ^(KRW 100 million)	Department store	8,741	5,923 ¹⁾	5,030
	Mart	10,200	12,000	7,940
Participants in Children's Art Contest ^(students)	Department store	9,204	9,782	12,258
Eco-product sales ^{(Eco Shop) (KRW 100 million)}	Department store	885	374	586 ²⁾

1) A decrease in flyer publication lessened purchases in 2012 (about KRW 2.6 billion)

2) A change in some product groups cut down on sales in 2012. But various sales promotions expanded sales in 2013.

VISION & STRATEGY

Sustainability Management KPIs

Major KPIs in Social Sector



Items		2011	2012	2013	Goals for 2014
Social contribution expense to sales ratio	Social contribution cost (Unit: KRW 1 million won)	15,347	19,137	19,581	-
	Social contribution expense to sales ratio	0.10	0.12	0.12	Increase of 0.01 %
	Sales (Unit: KRW 1 million won)	15,181,722	16,121,838	16,562,962	-
Supply Chain Sustainability Management ^(Risk)	Supply Chain Sustainability Performance Index ^(Points)	68.79	68.61	68.24	68.92

Employees

Items		2011	2012	2013
Number of employees ^(Persons) (in Korea)	Lotte Shopping	25,472	26,149	28,940
Number of Contract workers ^(Persons)	Lotte Shopping	13,349	13,545	15,878
Contract worker ratio (%)	Lotte Shopping	52.4	51.8	54.9
Newly hired employees ^(Persons)	Lotte Shopping	1,435	1,650	1,429
Newly hired female employees ^(Persons)	Lotte Shopping	387	459	545
Percentage of newly hired female employees (%)	Lotte Shopping	27	28	38
Employee retirement rate (%)	Department store	0.65	0.8	0.59
	Mart	0.93	0.87	0.87
Employee education ^(Unit: million won)	Lotte Shopping	11,261	10,207	10,856
Number of educated employees ^(Persons)	Lotte Shopping	18,945	19,214	24,347
Employee education time ^(Hours)	Lotte Shopping	987,464	973,330	1,074,577
Number of curriculums	Lotte Shopping	1,273	1,255	1,606
Number of books purchased for Reading and Learning With Book System ^(Cases)	Department store	19,493	19,421	21,420
Fees for With Book System ^(Unit: KRW 1 thousand)	Department store	209,235	207,589	266,729
Number of disabled employees ^(Persons)	Department store	227	242	231
	Mart	188	191	216
Percentage of disabled employees (%)	Department store	3.4	3.5	3.3
	Mart	2.5	2.6	2.6

VISION & STRATEGY

Sustainability Management KPIs

Customer

Item		2011	2012	2013
Customer Satisfaction Index ^{(NC5) (Points)}	Department store	75	74	76
	Mart	73	75	75
	Average	74	75	76

Supply Chain

(Unit: KRW 1 billion)

Item		2011	2012	2013
Partner Support	Department store	1,120	1,320	410
	Shared Growth Fund	4,860	5,420	7,960
	Mart	2,040	1,300	1,330
	Direct Support	16,810	17,620	13,700
	Indirect support-family loans	16,810	17,620	13,700
Mixed support - Shared Growth Fund		1,800	3,500	4,500

Major KPIs in Economic Sector



(Unit: KRW 1 million)

Items	2011	2012	2013
Sales	15,181,722	16,121,838	16,562,962
Profits ^(Operating profit)	1,253,083	1,137,562	1,184,527
Stock price ^(Market capitalization)	9,860,225	10,949,352	12,722,320
Dividends	43,565	43,565	44,328
Taxes ^(Income tax + special tax for rural development + local income tax)	257,608	294,547	352,203

Business Expansion

(Unit: stores)

Items	2011	2012	2013
Number of domestic stores	556	623	636
Number of stores abroad	135	159	190
Total number of stores	691	782	826

today

Lotte Shopping is a building a sustainable corporate culture through ethical management and innovation under a sound governance structure. The Company is systematically fulfilling its social responsibilities through Sustainability Management Committee and further strengthening a competitive edge by way of constant innovation and fair competition.

We have been maintaining that trust by reflecting opinions and demands and achieving a transparent corporate governance structure through open communication with stakeholders such as customers, partners and employees. A virtuous circle of Lotte Shopping's sustainability management and growth is not a temporary phenomenon will further develop in the future as a long-term project.

SUSTAINABLE
CULTURE



Strategy. 1

Sustainable Culture

TODAY

Highlights of 2013 Lotte Sustainable Culture

453

No. of employees who received new ethical education

An increase of 52% from 264 in 2012

9,150^{cases}

Ideas proposed

7,204 cases in 2012

KRW 31^{million}

Rewards for ideas

KRW 28 million in 2012

KRW 24^{billion}

Annual innovative financial performance through innovation

KRW 112.7 billion in total

Healing

Establishment of Healing Center

The center provides improved service through more professional counselors with a concept to take care of mental and physical health with food

Communication

Communication Project

Build organizational cultures that communicate

- 5 Promises for communication
- Communication supporters
- Communication competence assessment

SUSTAINABLE CULTURE - TODAY

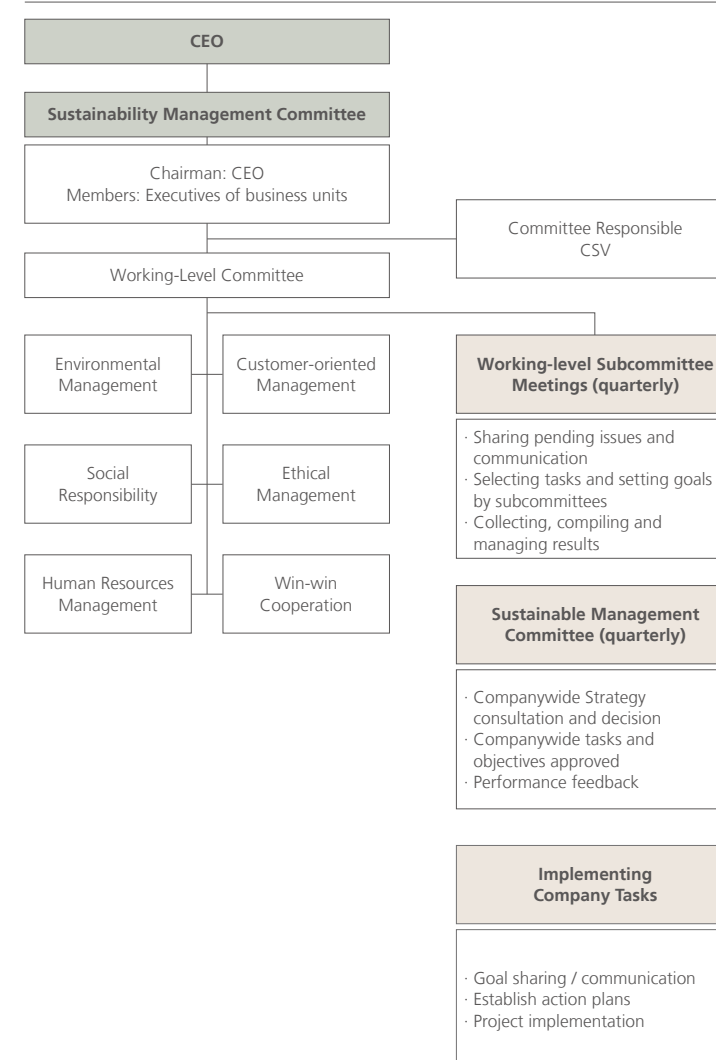
LOTTE SHOPPING'S CSV

There is Lotte Shopping's sustainability management in terms of economy, society, ethics and the environment in the works. It is Lotte Shopping's ultimate goal and sustainability management to create economic value by reducing its impact on the environment, social, and ethical responsibilities. We will not stop musing over and making investment in sustainability management.

Sustainability Management Committee

Lotte'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.

Organization of Sustainability Committee



Integrated Management Systems CSV

Companywide integrated CSV management enables Lotte Shopping to achieve sustainable growth. Sustainability management and the fulfillment of social responsibilities are our basic management principles and key strategy for obtaining a competitive advantage. We will conduct a variety of activities focusing on sustainability management elements

Lotte Shopping's Sustainability Management Elements

Economy	Society
Continued pursuit of economic growth	Contributing to national and community development through systematic social contributions
Ethics	Environment
Ethical management and fair corporate culture	Active environmental protection and climate change

To become a top global retailer with a focus on 4 factors

Working-level subcommittee

Lotte Shopping established an integrated CSV management system under the auspices of the CSV Department in 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 CSV Department publicizes Lotte Shopping and its CSV activities by producing a sustainability report annually showing its activities and performances in each sector.

Lotte Shopping Sustainability Reports by Year



SUSTAINABLE CULTURE - TODAY

SOUND CORPORATE GOVERNANCE

Lotte Shopping is committed to ensuring rational, transparent management and professional and sincere decision making that would establish the sound corporate governance harmonized with the global standards. The Company enhanced the transparency and specialty of the BOD by bringing in experts in various sectors and operating the Audit Committee and the Outside Director Candidate Recommendation Committee, the Internal Trading Committee within the BOD.

The BOD comprises of 11 directors, six 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. PARK DONG-YUL, Chairman of Horam Accounting KWAK SU-KEUN, a professor of business administration at Seoul National University, KO BYUNG-KEE, former executive director at Lotte Aluminum was appointed as new outside directors in the 44th general shareholders meeting held in March 2014. They replaced three outsiders who quit the BOD due to the expiration of their terms. LEE WON-JOON, was appointed as president and CEO of Lotte Shopping in an extraordinary shareholders meeting held in June 2014. The requirement criteria for outside directors is pursuant to the Commercial Act, article 382, section 3 and article 542-8, section 2. Moreover, the total remuneration ceiling for the directors is subject to approval of the general shareholders meeting.

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



	Name	Title	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	LEE IN-WON	Vice Chairman of Lotte Group	BOD	CEO, inside director
4	SHIN YOUNG-JA	Chairman of Lotte Foundation	BOD	Inside director
5	LEE WON-JOON	President and CEO of Lotte Shopping	BOD	CEO, Chairman of the Board, Chairman of Outside Director Candidate Nomination Committee, Chairman of Insider Trading Committee
6	LIM SAM -JIN	Vice Chairman of Korea Railway Association	Outside Director Recommendation Committee	Outside director, member of Outside Director Candidate Nomination Committee
7	BAEK MYEONG-HYEON	Former General Manager of Korea Financial Investment Association	Outside Director Recommendation Committee	Outside director, member of Internal Trading Committee
8	KIM TAE-HYEON	Attorney at Law Firm Yulchon	Outside Director Recommendation Committee	Outside director, member of Internal Trading Committee
9	PARK DONG-YUL	Chairman of Horam Accounting	Outside Director Recommendation Committee	Outside director, chairman of Audit Committee
10	KWAK SU-KEUN	Professor of business administration at Seoul National University	Outside Director Recommendation Committee	Outside Director, member of Audit Committee
11	KO BYUNG-KEE	Former Executive Director at Lotte Aluminium	Outside Director Recommendation Committee	Outside director, member of Audit Committee



BOD Meeting & Attendance Ratio of Outside Directors (in 2013)

Occurrence	Date	Attendance
1	2013.01.02	6/6
2	2013.01.16	6/6
3	2013.02.07	6/6
4	2013.02.27	6/6
5	2013.03.22	6/6
6	2013.04.12	6/6
7	2013.05.14	6/6
8	2013.06.13	6/6
9	2013.06.25	6/6
10	2013.07.15	6/6
11	2013.08.07	6/6
12	2013.09.05	6/6
13	2013.10.07	6/6
14	2013.11.14	6/6
15	2013.11.15	6/6
16	2013.12.12	6/6

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

BOD Meetings and Resolutions
The board of directors, in general, holds regular meetings once a month. Board resolutions require the presence of the majority of the directors and a majority vote from the directors present. The board held 16 meetings in 2013 to deliberate and decide on major management issues.

Major Resolutions by the BOD		
Approved the financial statements and Operating Report	Audit Committee Assessment Report of Internal Accounting Management	Installation of Branches

BOD Committees
Lotte Shopping sets up the Outside Director Recommendation Committee and the Audit Committee under the BOD to ensure transparency and to check senior management's ability and expertise in overseeing economic, environmental and social activities. The Outside Director Recommendation Committee nominates candidates for outside directors who represent the interests of shareholders in order to improve management transparency. The committee, composed of two outside directors, held one meeting in 2013. The Audit Committee is comprised of three members of outside directors and held five meetings in 2013.

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 6.48 billion won.

SUSTAINABLE CULTURE - TODAY

ETHICAL MANAGEMENT

Lotte Shopping will fulfill its social responsibilities by establishing a fair trade culture and implementing ethical management. To this end, the Company is focused on creating a culture that can encourage employees to have strong ethical awareness. Systematic ethical management empower us to receive trust from stakeholders and prevent risks that may occur due to unethical behaviors.

Lotte Shopping's Ethical Management Highlights by Year

Step 1 (2000~2001) Ethical management declaration and guidance	Step 2 (2002~2010) System construction and operation	Step 3 (2011~) Establishment of ethical management in corporate culture
2000 <ul style="list-style-type: none">· Proclaimed ethical management(October)· Established Ethical Committee 2001 <ul style="list-style-type: none">· Proclaimed Code of Ethics· Proclaimed fair trade compliance(September)	2007 <ul style="list-style-type: none">· Established detailed instructions· Produced and distributed guideline pocketbook 2008 <ul style="list-style-type: none">· Produced ethical manual· Conducted education at worksites· Held campaign	2011 <ul style="list-style-type: none">· Ethical management commitment 2012 <ul style="list-style-type: none">· Declared ethical management implementation· Established hot line 2013 <ul style="list-style-type: none">· Conducted education for mutual respect· Self-diagnosis of work· New position in charge of overseas ethical management

Code of Ethics and Detailed Instructions

In order to grow into a global distribution company, Lotte shopping is committed to establishing ethical standards building a fair trade culture. As standards of ethical judgment and behaviors, ethical standards and detailed guidance encourage employees to honor ethical management at work and in everyday life.

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 to the nation and society	Sound business conduct, prohibition of political activities, environment-friendliness, safety and accident prevention

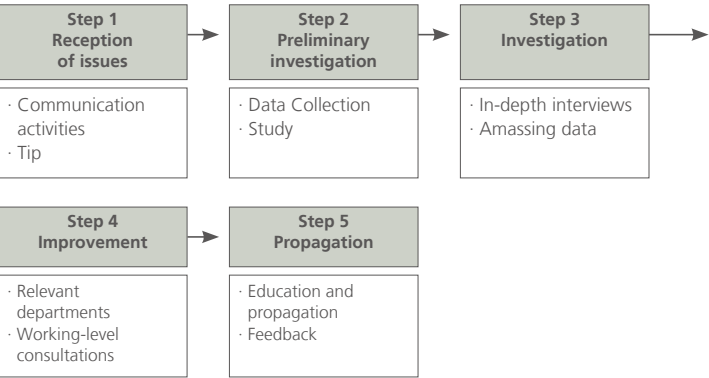
Guideline of Ethical Maneuver

Theme	Highlights
Standpoint for customers	Always respecting customers, and pursuing customer satisfaction by continuously creating customer value
Fair and objective job performance	Complying with company policies and regulations and focusing on 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 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 pursue sound business standards to respect social value and to protect safe environment in the Company.

Ethical Issue Resolution Process

Lotte Shopping has a sense of duty to comply with law and reflect society's ethical expectations on its decision-making and action. Accordingly, we built a system that can promptly and effectively respond to the ethical issues.

Ethical Issue Tackling Process



Ethical Management Education and Campaign

Lotte Shopping conducts regular Ethics Training Session for new employees every year. In 2013, 453 employees completed ethical management education. Training Period and as a sales manager, new employees were trained all required Company policy and guidelines.

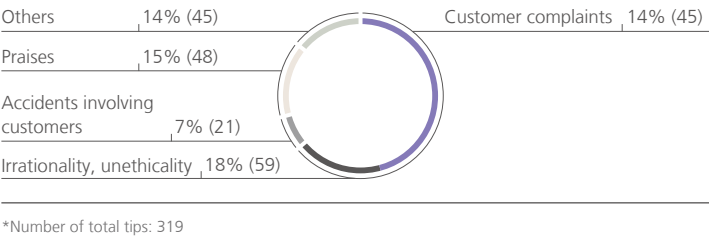
Enforcement Procedure for and Measures against Ethical Violations

If there is any violation of code or guideline of Ethics, the Personnel Committee can make a decision based on the accurate findings by the Ethics Bureau to the related person or party and the level of discipline and punishment is in accordance with the Discipline Provisions. The year 2013 saw transparent management and efficiency improvement lead to work improvements and unethical conduct investigations which allowed the Company to save or recover KRW 7.5 billion won. 15 unethical violations occurred and 29 people were given disciplinary measures. Approximately 27 reports were filed via various channels (an online reporting system, Ethics Bureau, the phone, mail and others).

Violations of Ethical Management by Lotte Department Store and Lotte Mart and Measures to Correct Them

		2010	2011	2012	2013
Violations	Department store	17	17	20	15
	Mart	37	42	31	30
	Total	54	59	51	45
Punishment	Department store	8	18	28	29
	Mart	34	55	111	137
	Total	42	73	139	166
Dismissal	Department store	9	6	0	4
	Mart	0	0	0	0
	Total	9	6	0	4

Tips in 2013 by Types



Internal Reporting Process

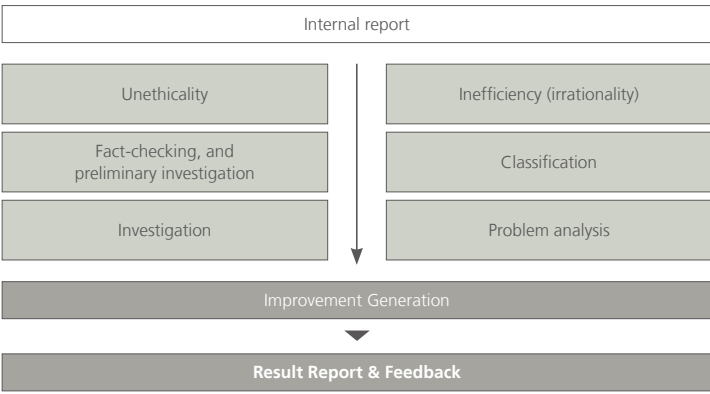
When a tip is received through the ethical reporting channel, the tip is classified as an unethical, inefficiency or irrational case and delivered to the manager of each category.

In the case of an unethical practice, the Company investigates whether that tip is true and makes its 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.

Ethics Hot-Line Channels

- **Internet:** Lotte Group “Shinmoongo”, Ethics Bureau (Website- Ethics Violation Report; EDI System, Procurement System, Product Division Website, Appointment Management System-Ethics Office, Violation Case Report)
- **Report Number:** 02-2118-2118
- **Direct mail:** TaeYang Building 701, 28 Sogongdong, Jung-gu, Seoul, Korea (Postal Code: 100-070)
- **E-mail:** ethics@lotteshopping.com
- **Internal Messenger:** Ethics Hot-Line

Internal Reporting Process



Ethical Management Plan and Direction

Lotte Shopping established the following direction for ethical management against unethicity, irrationality and inefficiency to further enhance its global competitiveness and is making diversified efforts to implement ethical management.

Ethical Management Team's Implementation Plan

Item	Detailed goals
Promotion of communication culture	Reestablish ethical standards Enhance accident prevention Communication and mutual growth
Enhancement of department store operation efficiency	Improve system operation Improve business processes Improve facility operation
International business innovation	Establish and enforce global ethical standards Improve capabilities of those in charge of overseas improvement Diagnose work at overseas branches
Outlet system optimization	Diagnose operational criterion Check costs and improve profits Reduce operational risk

Lotte Shopping is taking pains to presents a new paradigm and leading changing trends through continuous innovation. The Company is enhancing customer satisfaction through the development of advanced systems for process innovation and the introduction of differentiated products and services. Besides, we are reflecting the creative ideas of employees on management and building an organizational culture via various communication programs.

Global Business System

Lotte Shopping developed a global sales system on the basis of the RIS with its 35 years’ know-how. The development of the system kicked off in late 2012 and ran until April 2013 with 23 developers in Korea. In June 2013, the system was tested and completed for the opening of Lotte Avenue in Jakarta, Indonesia. The introduction of the system to Vietnam and China will further reinforce our global capabilities. Furthermore, we will elevate the status of Korean distribution companies overseas through steady distribution IT technology development.

ECM System

Lotte Shopping has been managing all documents of its HQ by saving them in an integrated server through the ECM System. The Company is restricting the use of mobile discs (USB storage devices and external hard discs) to prevent those documents from leaking out. In addition, the Company has arranged that transferring documents to outside needs to obtain the approval of department heads in order to strengthen both control and management of internal documents. This is an innovative example that shows information security could be upgraded through the establishment of a system for the management of corporate documents in terms of personal information protection that has recently emerged as a national issue. The Company also set up folder management and user rights by kinds of work, making internal documents strictly controlled as its assets. The Company systematically saved data in accordance with its internal policy to accumulate knowhow about and history of work process. Thus the Company could successfully expedite work and elevate work efficiency.

The development of ECM applications has empowered Lotte Shopping to create an environment where employees can read document on smart-phones and tablet PCs for their work. This led to the establishment of a smart office environment where much work can be economically done without printed documents. The system permitted employees to read documents anywhere within the Company, enhancing our work flow and efficiency.

Network Monitoring System

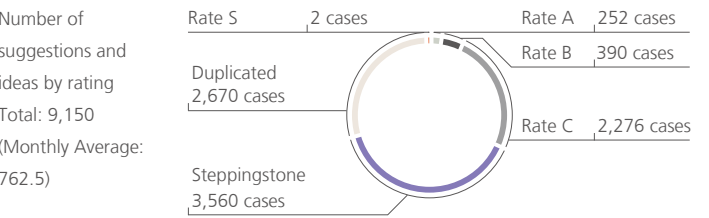
Recently Lotte Shopping felt strong need for an in-house data protection system due to a surge in employees’ intentionally or unintentionally personal information leaks at companies. Accordingly, the Company introduced a network monitoring system in October 2013. The innovative system was introduced to find out a history of mail exchanges through external mail service and prevent confidential information from leaking accidentally or deliberately. As a result, the system fundamentally blocks any information leakage by checking and managing mail contents, attachments, dates, recipients and senders, online storage histories and contents of files uploaded to web hard disks, P2P uploads and online message histories in real time.

Even if a leakage case occurs, we can prevent future leakage since we can audit, respond and make an improvement by immediately checking the leaker, time and attachments through monitoring. In this manner, Lotte Shopping is always seeking practical and concrete measures for information security and leave a possibility of adopting a more innovative system open.

Idea Popcorn

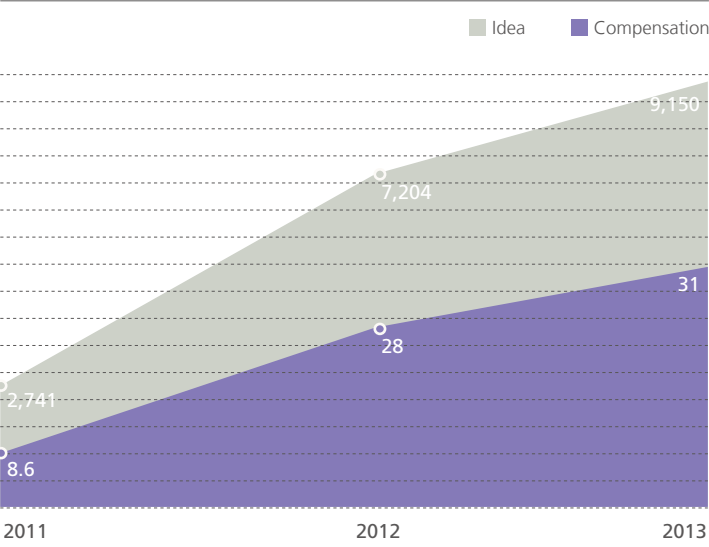
Idea Popcorn allows all employees to freely present their creative ideas and it is our knowledgebase system to promote horizontal communications. Introduced in June 2009, “Idea Popcorn” is a well established process that all employees suggest ideas liberally and relevant operational divisions review the proposed ideas and implement them if feasible. Connected with the Knowledge Mileage, the IDEA system allows to discover latent ideas within Lotte Shopping and to encourage all employees to participate in management innovation. After implementing Idea Popcorn in June 2009, a total of 29,701 ideas were proposed. We also promoted various Idea contests such as “Cost Saving” or “Customer Happiness Service / Marketing” to promote the participation of our employees with creative ideas. To promote the employees’ working innovative mind, various awards will be given to individuals and departments for outstanding ideas, examiners and those of implemented ideas and 730 employees have been rewarded for about 31 million won in 2013.

Idea Popcorns in 2013



Participants	Proposers: 4,755	Total Visitors: 29,547
	Judges: 366	
Implementation	258 out of 644 excellent ideas were put into action	Working related ideas utilizescontinuously for reference
	Detailed implementation Completion: 77 cases	materials (total of 5,836 cases)
	Currently implementing: 181 cases	
	Mileage rewards: 30,740,000 KRW	The mileage is paid out in the form of
Rewards	They were given to 730 people	Lotte Members points each month

Idea Popcorn Results (unit: case, million won)



Communication Project

Lotte Shopping conducted the Communication Project from November 2013 to promote employees’ sound and flexible attitudes and thinking and build a corporate culture with strong communication. The project was implemented through five promises for communication, Communication Supporters and diagnoses of communication capabilities.

Five Promises for Communication | “Five Promises for Communication” means five actions for communication by job titles to be put into practice by employees. The Company designated them after analyzing factors that obstructs communication and required actions for communication via a survey of employees. The Company made mini frames containing “Five Promises for Communication” and distributed them to all employees in order to encourage them to be well acquainted with the contents and fulfill those promises.

Five Promises for Communication

- I will never fail to fulfill the five following promises for communication.
- First, I will always greet others with a bright smile first.
- Second, I will attentively listen to advice of my boss in a modest attitude.
- Third, I will join my team's common task first.
- Forth, I will instantaneously put instructions into action and give feedback.
- Fifth, I will finish my planned work and report by 30 minutes before I leave the office.

LOTTE SHOPPING

Communication Supporters | They are groups for leading communication activities and five or six members belong to each group. They improve communication cultures by organizational units. Lotte Shopping has a total of 99 communication supporter groups with about 540 active members. A supporter group is composed mostly of staff members and assistant managers, and their main activity is to spread a communicating culture over their teams. For example, at a sales branch, they carry out an event for communicating with its partner's employees or at the HQ, they conduct activities to develop system-improving ideas for effective communication with the sales force, and bring those ideas into practice. Up to now, about 700 ideas have been suggested or carried into practice. Among them, the Company monthly selects three or four cases and gives rewards.

Communication Competence Evaluation | This work is to promote activities for enhancing business communication competence in the sales field, diagnose those activities by organizations and give feedback. Main diagnosis items include the implementation of Five Promises for Communication and business manners. Its key purpose is to diagnose and improve the communication competence of a sales manager at a store.

Direction for Communication Project

- Individuals' implementation
- Improvement in organizational culture
- Organizational capacity diagnosis

Conducting Differentiated Improvement Activities

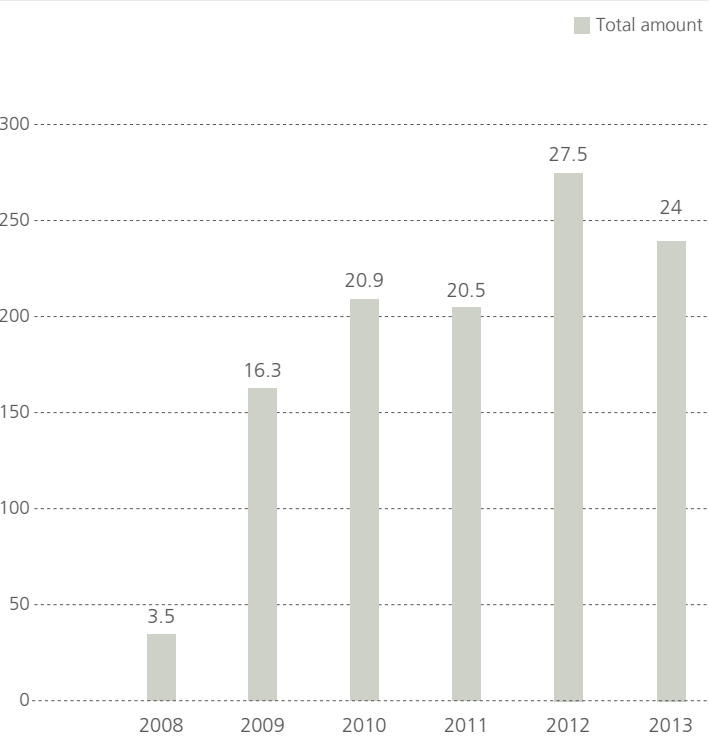
“Lean Transformation” innovation activities enable Lotte Mart to remove unnecessary management practices and maximize work efficiency. And by improving management infrastructure underlying distribution such as SCM and logistics, Lotte Mart is optimizing the structure and process. Further, the Company is conducting educational training for changing internal members’ consciousness and enhancing their competence so that innovations can continue.

Cost Reduction and Creation of New Profit | As of April 2013, a total of 75 stores completed the introduction of “Lean Transformation,” and 517 trained employees including specialized change managers and change agents worksites are constantly engaged in innovation activities. Based on the cumulative total at the end of 2013, KRW 112.7 billion was recorded as a financial achievement through cost reduction and new profit creation.

Lean Program

Introduction	2007 Started consulting by McKinsey 2008 Independent Lean Innovation - Site improvement area / HQ improvement projects
Maturity	2009 Accelerated Site Kaizen roll-out Expanded HQ improvement area 2010 Implemented Pull Kaizen at HQ Started Kaizen at 14 acquired GS stores 2011 Promoted Change Agent companywide Expanded Kaizen areas (Shanghai, Beijing)
Diffusion	2012 Carried out innovation projects by organizations Implement Kaizen at all stores 2013 Maintained existing innovation performance and diffused innovation Built autonomous innovation system by organizations

Annual Financial Innovation Performance (Unit: KRW 1 billion)



Companywide Innovation Activities | Lotte Shopping has been operating a voluntary execution system in which all members participate beyond work innovation tasks by organizational units across the Company since 2013. Boom-Up of all employees was carried out in 2013, a period for introducing the voluntary execution system. In 2014, by way of Voluntary Execution 2.0, each member is contributing to generating profits through a thorough improvement in his or her own work. Additionally, the Company holds a meeting once a month for sharing voluntary execution experiences announces five excellent voluntary execution cases and awards prizes to the excellent performers. In this way, the Company is making effort to make Boom-Up keep going.

Agreement on Protecting Emotional Workers

To protect the human rights of sales persons working in the service industry, Lotte Shopping released a declaration and is seeking to sign agreements with the related institutions. Through such activities, the Company will help people understand service workers’ emotional labor and introduce a manual that instructs workers how to deal with black consumers case by case to protect themselves during emotional labor. We also plan to expand emotional worker support activities, such as entering into an agreement with police station near stores so that the police can rush to the store and mediate a dispute in case of customers’ irrational demand or their insults to workers.



*Ceremony for declaration of self-protection manual for emotional laborers



*Self-protection manual for emotional laborers

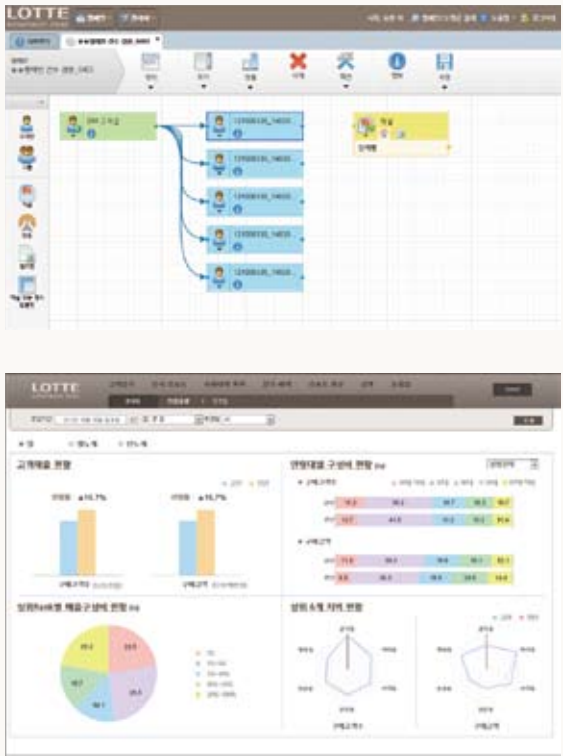
Special Shop for Healing

In April 2013, with the operation concept of “healing bodies and minds with food,” a shop specializing in healing items opened at the main branch of Lotte Department Store. Reflecting recent social attention to healing, this shop specializes in healing items. It is providing high-quality trend issue items via the development of specialties from various regions and consistent product management. The shop consists of three theme spaces — fresh wellbeing food, healing food, and masters & famous villages. Specialists are stationed inside the shop to offer advanced service to customers.

Next-Generation CRM Development

Lotte Shopping has strengthened its customer analysis and classification competency by redeveloping its CRM system since 2013. Using new customer analysis system and customer interest information, the Company has intensified the understanding of customer needs and analysis marketing, and is operating customized marketing according to each customer’s shopping tendencies. A model that combines customers’ ages & their shopping patterns and brand characteristic indices based on information about brands selected by customers enables the Company to find out customers’ shopping preferences and contributes to customer satisfaction through classified targeting that benefits customers’ preferences.

Next-generation CRM



together

Lotte Shopping has rapidly grown while showing various remarkable achievements. This fact can be credited to value created with various stakeholders such as customers, partners and employees.

Customer need-based products and services satisfy customers. Mutual consideration created by way of respect and strong communication results in win-win growth with partners. A corporate culture pursuing steady education and work-life balance leads to human resources development.

In order to create more value, Lotte Shopping will listen more carefully and reinforce its sustainable value creation system.

SUSTAINABLE
VALUE



Strategy. 2

Sustainable Value TOGETHER

2013 Lotte Shopping’s Sustainable Value-Related Achievements

CCM

For the first time in
department store business

CCM certification for three
consecutive times

27 million people

Number of integrated
Lotte members

Began at 6 million people and rose to 27 million
people through marketing based on customer
preferences

1,600 cases (monthly)

Shopping campaign

An innovation activity to find
problems from customers’
viewpoints, make an improvement
and spread excellent cases
companywide

ISMS

ISMS certification

2013 Future Creation Science
Obtained an ISMS certificate from the
Ministry of Science, ICT and Future
Planning and won the Grand Prize at the
Information Security Awards

Global

Excellent local workforce

Active recruitment of
excellent local graduates
via localization strategy and
global recruitment

GWP

Grand Prize at Family-Friendly
Management Awards

Built a good workplace with
work-life balance, thanks and
compensation

SUSTAINABLE VALUE - TOGETHER

CUSTOMER SERVICE

Customer satisfaction and trust come first in Lotte Shopping’s customer-centered management. The Company accurately identifies customer needs by putting itself in customers’ place and tries hard to offer best products and services. We try hard to reflect customers’ voices on service improvement and certainly keep its promise with customers. Moreover, we are concentrating its energy on offering customized service to each and every customer.

Lotte Shopping’s Customer Service Charter

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

Internal Reporting Process

On the basis of our company’s slogan, “The owner of our company is customers,” we will put the following into action to satisfy customers.
We will always receive customers sincerely and honestly with a bright smile.
We will modestly listen to customers’ voices with an open mind.
We will keep our promise with customers without fail.
We will create a high-class shopping environment on the basis of environmental value management.
We will become a department store that customers can always trust with our customer-centered thinking and practices.
▼
We will keep these promises with the spirit of love, freedom and richness, and become a global distribution company that creates the future value of service in the 21st century.

Enhancing Customer Satisfaction

Lotte Department Store continuously checks customer satisfaction levels and operates service monitoring programs to reflect customer voices and to enhance service quality. In addition, by holding a service contest, we are developing various services that befit the characteristics of stores.

Customer Service Satisfaction Survey

	Period	Contents
Customer Satisfaction	Quarterly	Identify customer needs and improve worksite through customer surveys
Human Services	Quarterly	Carry out human service-level diagnoses and find matters for improvements by understanding basic customer service skills
Call Monitor	Quarterly	Enhance customer service skills by monitoring internal staff’s telephone answering
Service Competition	Quarterly	Branches’ autonomous selection of service themes and improvement in contacts

Lotte Mart Service Monitoring Program

Housewives’ monitoring	Customer survey	VOC evaluation
Appointment of housewives as monitors and service quality evaluation by them at each store	Direct customer survey and evaluation of results under management of customer service manager at each store	Selecting frequent customer complaints and following evaluation

Acquiring CCM Certification, a First for Department Store

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

Lotte Department Store has positioned as the leading company for customer oriented management by acquiring the certification in 2011 and reacquiring in 2013. Evaluations for recertification proved that the Company had excellent service management system and a customer opinion system and was excellent at collecting customers’ opinions via various channels such as the VOC, appointment management and the CRM.



*CCM: Consumer Center Management checks whether or not customers are at the center of corporate management. The Korea Consumer Agency assesses it and the Fair Trade Commission certifies it.

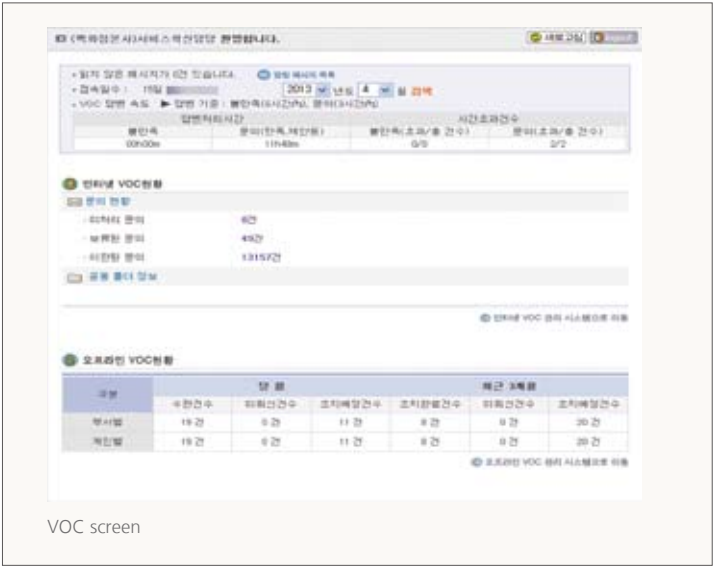
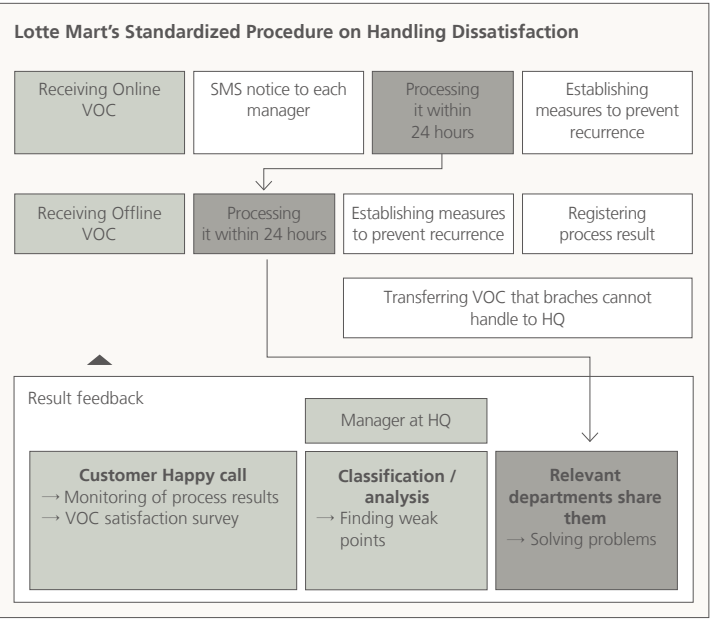
VOC (Voice Of Customer)

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

VOC treatment process | Primarily VOCs about questions, satisfaction and dissatisfaction are received through the customer question corner of the Customer Center on the website. The received VOCs are transferred to the head of the Customer Service Center. The center checks their contents and transfers them to each manager.Each person checks it, devises countermeasures, makes a call to the customer, writes an answer in the VOC system and finally sends it to the customer by e-mail. Finally, after confirming the result, the center categorizes the VOC. When the result is satisfactory or unsatisfactory, the center shares the result with all employees.

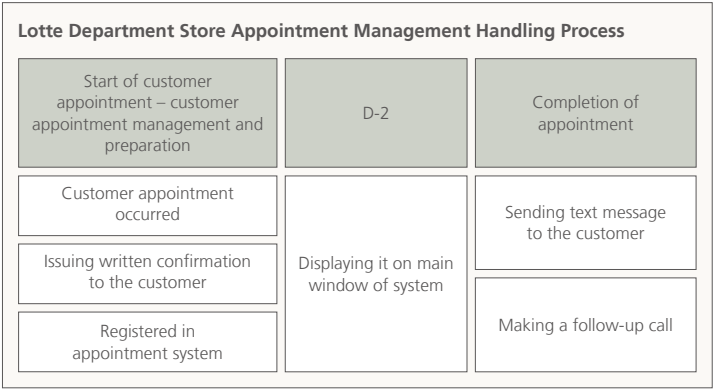
Handling VOC Customer Complaint | In the VOC System, the first stage is classified into satisfaction, dissatisfaction, question and suggestion. In the second stage, dissatisfaction VOC is classified into poor responses, exchanges/refunds, defective merchandise, unkindness, shopping information, breach of promise, and others. Then, the categories are segmented into details.

The number of addressed VOC cases was 26,120 in 2010, 21,672 in 2011, 17,325 in 2012 and 15,655 in 2013. The prevention of complaints and the enforcement of corrective measures have diminished the figures. The number of satisfaction VOC cases was 2,020 in 2010, 2,188 in 2011, 1,890 in 2012, and 1,915 in 2013. In terms of its composition, satisfaction VOC cases have been on the increase every year with 7.73% in 2010, 10.1% in 2011, 10.9% in 2012, and 12.2% in 2013.



Appointment Management System

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



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

Use of Appointment Management System | The Appointment Management System was introduced in 2008. Since then, order appointments have been reduced by sellouts through constant inventory management. As a result, the number of total handled cases has been on the decrease. We registered 720,000 cases in 2011, 660,000 cases in 2012 and 410,000 cases in 2013, respectively.

Appointment management process (Unit: case)

2013	the number of cases	2013	the number of cases
January	30,319	July	33,062
February	24,363	August	28,732
March	35,176	September	29,074
April	36,681	October	40,087
May	36,979	November	38,643
June	35,876	December	39,174
Total			408,166

Customer Relationship Management (CRM)

To grasp customer needs and provide services quickly and correctly, Lotte Shopping has been operating the CRM Program. In 2013, the next-generation and new CRM Program was developed. The program brought about more effective marketing through diverse information analyses and an upgraded targeting system.

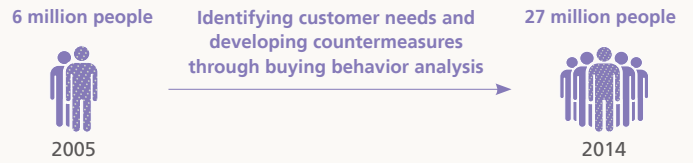
CRM System-Based Customer Management

	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 Members Management System	· Analysis of purchased products and cycle by Wedding D-Day · Customer targeting and offering by estimated time line by products
Moving Customer Management System	· Estimated moving customers by address change and purchase analysis and targeting · Sending out customized DM on appliances and furniture
MVG Hobby Information System	· Systematic management by MVG hobby segmentation · Offering customized benefits and products DM by analysis of hobby related products purchase patterns
Return DM Notice System	· Sending SMS to change address when registering return DM · Ensuring marketing targets with customer's information updates

Marketing Tailored to Customer Shopping Tendencies

By adopting a shopping age model and a shopping spirit model based on customer purchase characteristics, Lotte Shopping is carrying out customized marketing to satisfy the needs of individual customers. The Company also makes an integrated analysis of each customer's purchase history through Lotte Members Card, and builds up CRM information according to customers’ lifestyles. By making use of such collected information, we are providing services tailored to customer needs such as sending DMs and managing returned DMs, invitation to many events and promotions, selecting best customers and offering benefits to them.

Growth of integrated Lotte Members



Ratio of Users of Lotte Card / Lotte Members Card



CUSTOMER INFORMATION PROTECTION

Lotte Shopping regards the personal information of all of its customers as invaluable assets and commits to manage them safely and effectively. Against customer information leak and hacking incidents, Lotte Shopping takes every cautious measure to prevent relevant incidents with advanced security systems and employee education. Information security certificates and external prizes have been recognizing our efforts for and achievements in customer information protection.

Information Protection Policy

Lotte Shopping has established the “Personal Information Management Policy” in compliance with the “Personal Information Protection Act” and “Information and the Communication Network Utilization and Information Protection Act” and all relevant customer information regulations. In the “Personal Information Management Policy,” we clarify guidelines on the whole procedures from collecting, using, delegating and destroying of personal information and we disclose the guidelines online so anyone can see them.

Employees Training and Campaign Performance

We raise awareness of the importance of information including customer information by designating the first Friday of every month as Information Protection Day. As part of our efforts against elements to threaten information assets, Lotte Department Store conducts the Clean Desk Movement to have employees autonomously check their office environments. They are encouraged to raise their awareness of information protection through self-inspection with a check list on 12 items including PC management and office security.

Information Security Certification and Awards

ISO27001 Certification | February 2011 Lotte Shopping received an ISO27001 Information Security Certificate, international information protection standard, a first for a Korean department store. This substantiated a global level of its information protection system

ISMS Certification | Lotte Department Store has obtained an ISMS (Information Security Management System) certificate supervised by the Ministry of Science, ICT and Future Planning and evaluated by the Korea internet & Security (KISA) in December 2013. This means the airtight managerial, technical and physical security of the e-commerce service (eLotte, cultural centers) of Lotte Department Store that deals with customer information.

Grand Prize of Personal Information Protection by Korea Internet Security Agency | In December 2013, Lotte Department Store picked up the Grand Prize at the 12th Information Security Awards of the Korea Internet Security Agency under the Ministry of Science, ICT and Future Planning in recognition of its outstanding information security. Winning the prize given by the agency which checks corporate information security with the ministry illustrates that Lotte Department Store is a role model for other companies in the protection of personal information.



ISO27001 certificate



ISMS certificate



Grand Prize of Personal Information Protection

Continuous improvement and innovation cases

SHOPPING CAMPAIGN

Lotte Mart is carrying out the “shopping improvement activity” to identify inconveniences from customers’ point of view for further improvements and to distribute its best practices. The customer-oriented campaign covers product qualities, assortment expansion, event management and an improvement in shelves and allows the Company to create stores loved by customers. We are also implementing continuous improvement and innovation activities on work by introducing an idea suggestion system, an expanded form of the campaign. The campaign is positioning itself as a general innovation culture by in-

cluding customer-oriented improvement activities and internal work improvements. All employees and their families are taking part in the campaign which results in 1,600 ideas and improvement activities a month. Outsiders also heaped praise on the campaign to the extent that the Korea Suggestion Association gave Lotte Shopping the Grand Prize in the corporate sector at its Korea Idea Management Awards for three straight years. Moreover, we also won the Best CEO Prize in the same event in recognition for our CEO’s much interest in suggestion activities and outstanding achievements.

SAFETY OF CUSTOMER

Lotte Shopping is dedicated to safety management for convenient and 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. These efforts help decrease accidents each year.

Air Quality Management

To provide a pleasant shopping environment, Lotte Shopping annually measure and manages indoor air qualities. The measurement of air qualities proved the safety of 285 spots at 40 stores of Lotte Department Store in all categories. Lotte Mart also checks air qualities at all of its stores and parking lots once a year and maintain air qualities that comply with legal standards in all categories.

Air quality measurement

Related law | Annual measurement of air qualities at stores in compliance with Indoor Air Act on Multi-Use Facilities (from February to June each year)

Measurement targets and spots: 285 spots at 40 stores

Measurement spots	Measured according to each area of both stores and indoor parking lot 10,000m ³ or less: 2 spots 10,000 to 20,000m ³ : 3 spot 20,000m ³ or more: 4 spots
-------------------	--

Measurement period Measurement items

Measurement period	Measurement items	
Feb. 20 to Jun. 30 in 2013	Maintenance standard (4 items)	Carbon monoxide, particulate matter, carbon dioxide, formaldehyde
	Recommendation standard (5 items)	Asbestos, ozone, radon, nitrogen dioxide, volatile organic compounds

A. Stores

	Legal standard	Average measurement	Compared to legal standard
Fine dust ($\mu\text{g} / \text{m}^3$)	140	50.2	33.4%
Formaldehyde ($\mu\text{g} / \text{m}^3$)	100	30.5	30.5%
Carbon monoxide (ppm)	9	0.8	8.0%
Carbon dioxide (ppm)	1,000	584	58.4%
Asbestos (dog / cc)	0.01	0.001	10.0%
Ozone (ppm)	0.06	0.005	8.3%
Radon (pCi / l)	4.0	0.8	20.0%
Volatile organic compound ($\mu\text{g} / \text{m}^3$)	500	229	45.8%
Nitrogen dioxide (ppm)	0.05	0.023	46.0%

B. Indoor Parking Lot

	Legal standard	Average measurement	Compared to legal standard
Fine dust ($\mu\text{g} / \text{m}^3$)	180	73.9	37%
Formaldehyde ($\mu\text{g} / \text{m}^3$)	100	17.5	17.5%
Carbon monoxide (ppm)	20	2.9	11.6%
Carbon dioxide (ppm)	1,000	571	57.1%
Asbestos (dog / cc)	0.01	0.001	10.0%
Ozone (ppm)	0.08	0.004	5.0%
Radon (pCi / l)	4.0	0.9	22.5%
Volatile organic compound ($\mu\text{g} / \text{m}^3$)	1,000	262.1	26.2%
Nitrogen dioxide (ppm)	0.3	0.038	12.7%

Air Quality Measurement Graph

Maintenance Standard (measured once per year)

Item	2008	2009	2010	2011	2012	2013	Legal standard
Fine dust ($\mu\text{g} / \text{m}^3$)	47.6	32.5	65.2	55.8	61.3	50.2	150
Carbon monoxide (ppm)	0.2	0.7	2.2	1.3	1.2	0.8	10
Formaldehyde ($\mu\text{g} / \text{m}^3$)	35.10	46.20	20.40	18.90	22.50	30.50	120
Carbon dioxide (ppm)	526.80	482.20	508.80	487.30	560.40	584.00	1,000

Recommendation Standard (measured once per two years)

Item	2007	2009	2011	2013	Legal standard
Asbestos (dog / cc)	0	0	0.002	0.001	0.01
Ozone (ppm)	0.003	0.007	0.005	0.005	0.06
Radon (pCi / l)	0.40	0.30	0.80	0.80	4.0
Volatile organic compound ($\mu\text{g} / \text{m}^3$)	268.40	266.40	212.30	229.00	500
Nitrogen dioxide (ppm)	0.02	0.02	0.01	0.02	0.3

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

Measurement Methods and Reduction Measures

- 1. How to measure**
 - Following indoor air quality testing process method of Ministry of Environment comply
 - Following self-made indoor air quality measurement specifications
- 2. Reduction**
 - Strengthening management of filters for air conditioning, enhancing ventilation, management of cleanliness parking, prohibition of car idling, etc.

SERVICE EDUCATION

Lotte Shopping with a clear goal of “fostering professional service personnel who communicate with fields” is systematically carrying out in service employee education. This is paralleled by production of service manuals and the management of service at customer contacts. In addition, curriculum research and development introduce new service education and systems, steadily enhancing its service qualities.

Fostering Professional Staff

Lotte Shopping fosters professionals in each sector in order to provide customers with personalized service. The Company is fostering professional service personnel for VIPs such as qualified and specialized sommeliers and baristas.

Professional Qualification Education in 2013

Subject		No. of people	Class
VIP customer expert	MVG lounge managers at all stores	33	2nd
Barista training course	Representative of lounge managers	10	4th
Professional sommelier certification system	Wine shop manager	20	2nd
Sub-total		63	8th



VIP certification process



VIP sommelier certification course


Service Certification for Employees Working at Overseas Stores

In addition to opening new stores abroad in 2013, Lotte Shopping localized domestic service education modules and built a global service education process by introducing service certification for employees working at overseas stores. The certification system awards the services certificates to those who complete mandatory courses.


Overseas Service Certification System

	Service Director	Service Staff	Service Actor
Contents	On-the-spot diagnosis, service culture, presentations, lecturing skill	Service Mind / On-the-spot coaching skills, situational customer service skills	Sharing service values, understanding systems, acquiring basic customer service skills
Module	16 hours Service Director Training Course (4 hours) *mock lecture is necessary Service staff training instructor course (6 hours) Colleague introductory courses (6 hours)	8 hours Service mind training (2 hours) Situational customer service skills (2 hours) Complaint handling skills (2 hours) Colleague coaching skills (2 hours)	9 hours Introductory education (6 hours): service mind, customer service etiquette Improvement education (3 hours): before / on / after service New recruits
Subjects	Those in charge of customer service education	All service staff	Those who reentered
Remarks	10 hours at existing stores	3 hours at existing stores	the Company is exempt from Introductory course

Overseas service certificate and badge



badge



certificate

Service Curriculumms by Job Titles

	Basic education	Professional Education	On-the-spot coaching and campaigns
Store managers	A-Grade introductory course	Support service course*	In-house etiquette campaign (for all employees)*
	JA-Grade introductory course	Part leader service course*	
Service managers	Service manager / leader courses	In-house instructor certification course (service leader)	Touching story contest, campaigns and book publication
	Customer service manager course	Customer advisor qualification course*	
Service contacts	MVG lounge manager course	VIP specialist certification course	A. On-the-spot contact service coaching
	Basic contact education (gifts for customers / restaurants, etc.)	Barista qualification course	B. Contact service manual production
	Introductory course for professional contract workers		C. Educational environment contest
Colleagues	Long-term and short-term introductory education (department store / outlet / luxury product differentiation)	Theme-based education by customer and product groups* (Courses with a total of 24 themes such as Young / senior / online customers)	
Global	Opening of overseas stores	Overseas offices service certification system	Production of local language manual
Others	Education about new store openings, mutual growth with traditional market, customer centers, delivery service and gender equality and more		

*New course in 2014

Educational Achievements in 2013

		Course name	Subject	Period (time)
Workers at shops directly managed by Lotte Shopping	Service manager	Service Manager Job Workshop	43 service managers	Quarterly (4th)
		Service Leader Job Workshop	107 service leaders	Quarterly (4th)
		Counseling manager job workshops	43 counseling managers	Quarterly (4th)
	Service contacts	MVG job workshop	78 MVG managers	Quarterly (4th)
		Key contact on-the-spot education	Service contacts (lounge, customer appreciation, etc.) / Integrated customer centers	150
	Fostering experts	MVG, sommelier VIP expert course	MVG lounge baristas, wine shop Sommelier	30
Colleagues	New recruits	Introductory education for workers at shops directly managed by Lotte Shopping	A, JA, contract-based professionals, white collar workers	24
		Long-term and short-term introductory education	Short-term employees: 55,686 long-term employees: 19,196	Short-term education: 2,450 long-term education: 1,450
On-the-spot education	Theme-base course	A total of customized 16 theme-based course (food, cosmetics, young customers, seniors, etc.)	Course-specific target colleagues: 6,780	187
		Education about new stores openings	Outlets in Seoul, Gimhae, Buyeo, Icheon	32
Global Mutual development		Manual and video production	MVG lounge and eight other contacts	When necessary
		Education about overseas stores openings	Weihai, Chengdu, Jakarta, Moscow	8
Culture creation		Support for traditional markets and child welfare association through service education	Mutual growth agreements with 8 markets, child welfare association, teenagers	75
		Laughter campaign, Love Letter, laughter-based communication	All employees	55

Service Education for Traditional Markets

Lotte Department Store, in April 2013, signed a cooperation agreement with the chairpersons of eight traditional market merchants associations. We conducted 56 classes and on-the-spot coaching programs through an annual service training theme that befits traditional market to improve service, one of tough tasks facing traditional markets. The Company gave a variety of service education such as a friendly market full of laughter (kindness services), clean shops (cleanliness management), Chuseok Holiday service and appointment management. In addition, we produced and distributed service manuals and morning broadcast program for traditional markets and held service campaigns such as a smile champion contest and a store cleanliness contest.

Employee Services Education

Lotte Shopping is operating a variety of on-site service education by creating a systematic curriculum for each position.

Service Challenge Course | Lotte Shopping Site is conducting “Service Challenge” education to make an improvement to the service of managers serving customers face to face with them. The program enhanced their service capabilities through practical service education about communication and leadership skills, greetings and telephone etiquette

Customer Service Workshop | Lotte Shopping is conducting regular job education for customer service managers and service leaders. We are running regular job education workshops and education programs for newly appointed managers from job training such as on-site service coaching to sharing the status of service issues.

Job Workshop for Heads of Customer Centers | Lotte Shopping is holding Job Workshop for Heads of Customer Centers in an effort to enhance the service and communication capabilities of them who directly listen to customers’ voices. The workshop is held bimonthly and offer education to console them who suffer from emotional labor, facing customers. We are striving for a service upgrade by sharing and benchmarking real cases through presentations on the status of services by branches as well.

1. Support for win-win growth education for traditional markets
2. Service challenge course
3. Customer service representative workshop
4. Customer service workshop



SUSTAINABLE VALUE - TOGETHER

FINANCIAL SUPPORT FOR PARTNERS

Lotte Shopping is geared toward win-win growth with partners. We have valued numerous partners for a long time and will continue to create value with them in the future. With an eye toward realizing shared growth, we will promote win-win growth by conforming to fair trading, expanding communication channels and offering a wide array of supporting programs.

Financial Support for Partners

Lotte Shopping, in order to overcome financial difficulties for small and medium partners, has organized various financial support programs including financial support, advanced payment, financial funds in connection with financial institutes. We are expanding our financial supporting programs to procurement related partners so all of our partners are supported by our supporting programs.

Expansion of “Mutual Growth Financing” and “Mutual Growth Fund” | As part of Financial Support Programs, Lotte Department Store has established “Mutual Growth Financing” and “Mutual Growth Fund” for our partners. This Mutual Growth Financing is a supporting program by self-raising funds that increased to 100 billion won in March 2011 from 15 billion won in 2010. We have supported a total of 41 billion won to our partners for the year 2013 only. By operating the funds deposited in the financial sector, Mutual Growth Fund aims to receive better interest rates for partners when they apply for bank loans. Lotte Department Store has increased the amount of funds to 85 billion won in 2013 from 62 billion won in 2012, 50 billion won in 2011 and 40 billion won in 2010. By way of this Mutual Growth Fund, we have supported a total of 79.6 billion won for 148 cases for the year 2013 only.

Financial Support Programs for Partners | By providing financial support programs, Lotte Mart has cultivated stable and sustainable business environment to mutually grow with partners and stirring co-existent and win-win cooperation. We pay with no interest to partners after sing a contract for product supply agreement. We paid a total of 13.3 billion won in advance with no interest in 2013. As part of indirect supporting program, we have supported various financial loans (Family Loan, Damoa Loan) with financial institutes and for the year 2013, a total of 137.0 billion won was supported. In conjunction with financial institutions, we have established a total of 110 billion won for Mutual Growth Fund.

Lotte Department Store's Financial Support Programs for Partners
(Unit: case / KRW 1 million)

A. Support through Mutual Growth Fund

		2009	2010	2011	2012	2013	Total
Total	Cases	-	13	53	86	148	300
	Amount	-	28	486	542	796	1,852

B. Support through Mutual Growth Financing

		2009	2010	2011	2012	2013	Total
Total	Cases	19	20	49	66	27	181
	Amount	45	41	112	132	41	371

Lotte Mart's Financial Support Programs for Partners (Unit: KRW 100 million)

	System	2010	2011	2012	2012
Direct support	Advance payment	107	204	130	133
Indirect support	Family Loan, Damoa Loan	1,357	1,681	1,762	1,370
Mixed	Mutual Growth Fund	150	180	350	450
Total		1,614	2,065	2,242	1,953

Cash Payment for Procurement

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

Lotte Department Store's Cash Payment for Procurement (Unit: KRW 1 million)

Year	Full amounts	Cash payments	Percentage of cash
2010	378,194	223,571	59.1%
2011	453,941	431,650	95.1%
2012	453,695	453,443	99.9%
2013	424,393	424,393	100.0%

Lotte Mart's Cash Payment for Procurement (Unit: KRW 1 million)

Year	Full amounts	Cash payments	Percentage of cash
2010	42,802	42,802	100.0%
2011	50,049	50,049	100.0%
2012	51,367	51,367	100.0%
2013	50,601	50,601	100.0%

3.0 Innovation Movement

Lotte Shopping implemented the “Industrial Innovation Movement 3.0” which spreads mutual growth activities to its secondary and third partners beyond mutual growth between a large company and its primary partners. We are planning to support secondary and third partners with a total of 1.5 billion won for five years. In 2013, we conducted management consulting and equipment support by investing 300 million won in 13 partners.

SUSTAINABLE VALUE - TOGETHER

FAIR TRADE COMPLIANCE PROGRAM

Lotte Shopping early introduced and is implementing a fair trade compliance program for the establishment of a fair trade culture. The Company built a process education and prevention, the monitoring and supervision of violations and evaluation and corrective action for the efficient operation of the program. We will contribute to diffusing the fair trade culture via the thorough implementation of the program

Fair Trade Compliance System

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

CP Process & Contents | Lotte Department Store is operating a CP process of education and supervision, restriction and evaluation and feedback to minimize risks of legal violations. We are also doing our best to win-win growth with our partners.

1. Operating Efficient Educational Programs

Lotte Department Store is running educational programs including regular education for all employees to make them well aware of CP contents and irregular education for incoming MDs and CMDs, cyber learning courses and education connected to outside organizations. Specifically, the Company is having an executive serve as a CP director responsible for CP education. We are also conducting self-education and -inspections to minimize risks of legal violations.

2. Operating Supervision System throughout Company

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. We conduct inspections focused on items that are 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 inspections preclude unfair trading practices that disadvantage partner firms or customers.

3. Thorough Punishment and Evaluation System and Feedback for Improvement in CP

Lotte Shopping takes disciplinary action toward CP violators such as systematic 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 correct the unfairness or inconvenience against partners. When we receive a report via our homepage from a partner or an anonymous informant, we speedily look into the case and seek corrective measures.

CP System Process

	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 (68 people attended in one workshop in 2013)</div></div>
Surveillance and supervisory activities 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</div></div>
Evaluation and Improvement Action	<div><div>· Disciplinary measure for violators</div><div>· Distributing violation cases within the company and requiring self corrective action</div></div>

CP-Related Major Achievements and History

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>· Shopping company CP manager alliance</div></div>
2011	<div><div>· Managing director Lee Gap 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>· 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>· Check unfair practices at Product and Sales Divisions - Fair trade tests for employees</div></div>
2013	<div><div>· Senior managing director Jung Seung-in of Marketing Division was appointed as 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>· Cheked unfair trade practices in employing promotion worker, promotions and interior work</div><div>· Fair trade tests for employees</div></div>

Lotte Department Store's CP Education

By formulating an annual education plan Lotte (Lotte Department Store) is carrying out CP education for new recruits and employees at the Sales and Merchandise HQs who directly work with partners. In 2013 the education was conducted 29 times for 4,269 employees. In particular, more than two hours' compulsory education was given to employees at the Sales and Merchandise HQs. 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.

Lotte Department Store's CP Education

Year	Education contents	Time	Frequency	No. of participants
2012	CP managers and personnel responsible Workshop	June	Twice	164
	Products Division (Division 7) / Sales Headquarters (43 open)	January to December	76 times	6,379
	Seoul National Competition organized by Fair Trade Theory and Practical Training Center	September to December	Once	1
	Fair competition organized by the Fair Trade Association education	January to December	15 times	50
2013	CP managers and personnel responsible Workshop	June	1 time	68
	Products Division (Division 7) / Sales Headquarters (43 open)	January to December	29 times	4,269
	Seoul National Competition organized by Fair Trade Theory and Practical Training Center	September to December	Once	1
	Fair competition organized by the Fair Trade Association education	January to December	14 times	30

Lotte Mart's CP Education

Lotte Mart conducted fair trading education for employees from 2010 to 2013 in various ways. In particular, the Company carried out compulsory education for all employees at sales-related departments at least twice a year, is upgrading the education through practical and case evaluation. In 2014, the company decided to include fair trading education in requirements for external traders' qualification. Therefore, those who did not finish fair trading education are institutionally ineligible for external trading positions (MD, purchasing, customer support).

Lotte Mart's CP Activities

- CP handbook production and distribution
- Introductory fair trade education for new MD
- Invited lectures by external experts (professors, lawyers)
- Monthly fair trade education by themes
- Fair trade education and evaluation (twice a year)
- Introduction of qualification system for external traders

Lotte Mart's CP Education

Year	Education contents	Period	Frequency	No. of participants
2012	Fair Trade education and evaluation	January to December	4 times	4,194
	Fair Competition Federation organized external education	January to December	3 times	8
2013	External agencies utilizing education and evaluation	April	Once	40
	Fair Trade education and evaluation	January to December	7 times	3,133
	Fair Competition Federation organized external education	January to December	6 times	10

Internal Monitoring Activities for Unfair Trade Practices

Lotte Mart establishes a real-time internal monitoring system against unfair trade. The Company is operating an unfair trade report channel on the website so that partners can report unfair trade practices on the phone, mail or email. The Company immediately excludes violators of fair trade rules from their work and makes the Fair Trade Team and the Ethical Management Team look into the case. In addition, we operate a system which protects whistle blowers and helps partners recover damages quickly.

Lotte Shopping's Violations Fair Trade Law (2010-2013)

	Voting date	Violation type	Results
Department store	2011.09.07	Unfair advertising (Exaggerated or false advertisements on DM goods)	Warning
Mart	2013.11.20	Extortion of partners' management information	Fine
	2012.12.27	Abuse of power in trade (Employee is sent without prior agreement)	Fine
	2013.11.20	Demanding economic benefits (sponsoring fee from from partners)	Fine

Lotte Shopping is operating win-win growth programs each business division in order to seek sustainable co-prosperity with partners. Especially, the Company is enhancing communication and actively supporting the sustainable management of partner via various communication channels. We are also planning to go ahead with effective mutual growth programs to grow together with partners.

Establishing CEO Hot Line System

In June 2013, Lotte Mart established the Hot-Line System for the lawful and rational resolution of disputes between CEO and partners. The Company holds the Deliberative Committee for Restoration of Voluntary Fair Trading’ to deal with property damage and makes full compensation for it through this system.

External Trading Position Qualification System

Lotte Mart introduced and has been operating the External Transaction Position Qualification System from January 2014 for all employees in charge of partner firms and external business. This system permits the Company to exclude those ineligible for external trade from external trade. In this way, we are taking the lead in establishing a fair trade culture.

Lotte Mart's fair trade revolution and CEO Hot Line System

우리는 항상 “乙”입니다!

1. **검은한 마음으로,**

2. **예의를 지키고,**

3. **친절한 자세로 모십시오!**

롯데마트 대표이사님

소통 Hot-Line 개설!

롯데마트 대표이사님

롯데마트 대표이사님

Meeting with CEOs of Partners

Lotte Department Store regularly holds a convention with partners as part of our various communication channels. We organized ten conventions from 2009 to and 2013. In particular in 2013, we invited 101 CEOs of partners four times (July, September, October, November) and exchanged opinions with them and discuss future win-win growth. CEO meetings are expected to bring about very positive effects in realizing the value of win-win growth pursued by Lotte Department Store. In the future, we will continue to maintain future-oriented partnership while communicating with them by increasing the number of meetings and holding working-level meetings.

Lotte Department Store's Meetings with CEOs of Partners in 2013		
No. of Partners' CEOs	Date	Contents of meetings
30	2013.07.10	Partners' opinions for win-win development and future growth plans
11	2013.09.25~09.27 (three days)	
11	2013.10.04	
30	2013.11.08	



*Meeting with CEOs of Partners

Green Price

Lotte Department Store introduced the Green Price System in order to earn trust from customers through reasonable prices and a fixed price system and eliminate abnormal price discounts through fair advertisement and price tags for the first time in the distribution industry. This green price system originally implemented for men's suits lines (including city casuals) in 2007 and broadened for fur product lines and designer brands. The system skimmed off consumer's distrust on the price system and restrained constant promotional events pointed out as unreasonable competition. In addition, this system promotes product competition rather than triggering a price war by partners. Therefore they have gained profit improvement as well as the global competitiveness of their products.

Brand Fostering via Agreement with Parsons

Lotte Department Store looking for a new brand found a brand of “Parsons” on Boulevard in Seoul. On the strength of an effective profit sharing system, Parsons was securing a freelancer designer network. Reasonable pricing was earning them loyal customers. Believing in its growth potential, Lotte Department Store accommodated the brand through Lotte's distribution channels after signing an agreement with it in February 2013 to growing it into a top brand. A business alliance was formed between Lotte Department Store which needed a new brand with growth potential and Parsons craving for a distribution network for further growth. Both began to generate synergies by making use of their core capabilities while letting Lotte develop and operate new stores, manage sales staffs and assigning brand concept planning and product design to Parsons. This method cost less investment than the development of a new compilation shop and consequently, mitigates risk. Based on a proven product planning system, both were able to share brand know-how. As a result, the alliance was proved the best way to foster famous designer brands and in the long term, differentiated brands. Parsons is making new attempts to complete a sustainable business model through long-term win-win growth with individual designers.



Parsons store

Support for Sustainability Management of Partners

Lotte Shopping introduced “Sustainability management guidelines for all of its partners.” The guidelines contain basic global requirements on human rights, labor, and for the environment, safety, health and ethics based on the 10 Principles of the United Nations Global Compact, the Universal Declaration of Human Rights and the convention of the International Labor Organization Convention for the sustainable growth of Lotte Shopping and partners. In addition, the Company added a “Sustainability management participation agreement” to contracts to promote partners’ implementation and interest. Lotte shopping will steadily help partners comply with the guidelines.

Supply Chain Risk Analysis

Lotte Shopping has conducted the supply chain risk analysis for key partners. Lotte Department Store and Lotte Mart have selected a total of 530 major partners. We have analyzed major areas of sustainability management in economic, environmental and social risk and as a result, we have categorized six risk classes. In each area corresponding to risk category, there is no partners in high risk class. However, more partners positioned in above medium risks in environmental area compared to economic and social areas, therefore, it considers as relatively high risk.

This is because we have applied the global standard evaluation method to establish the world-class supply chain management in ISO14001 certification, greenhouse emission management and HACCP certification. Based on this evaluation analysis, Lotte Shopping will continuously identify and manage the supply chain risk and we will devote to prevent and improve possible risks in advance.



Supply Chain Risk Analysis (unit: %)		2011	2012	2013
Key partners	No risk	14.7	23.6	17.6
	Low risk	29.4	19.5	26.6
	Medium to low risk	40.6	37.3	39.7
	Medium risk	12.1	16.5	12.9
	Medium to high risk	3.0	2.8	3.0
	High risk	0.2	0.2	0.2
Economic risk	At risk	15.2	19.5	16.1
	No risk	60.1	64.4	67.7
	Low risk	1.8	4.9	5.3
	Medium to low risk	0.4	0.0	0.0
	Medium risk	37.8	29.6	27.0
	Medium to high risk	0.0	1.1	0.0
Environmental risk	High risk	0.0	0.0	0.0
	At risk	37.8	30.6	27.0
	No risk	4.1	12.8	13.6
	Low risk	0.4	0.0	0.0
	Medium to low risk	21.6	23.5	25.5
	Medium risk	39.2	29.6	30.8
Social risk	Medium to high risk	34.8	34.0	30.0
	High risk	0.0	0.2	0.2
	At risk	73.9	63.7	60.9
	No risk	51.6	60.4	64.0
	Low risk	1.2	0.4	1.3
	Medium to low risk	47.2	38.2	34.7

SUSTAINABLE VALUE - TOGETHER

TALENT RECRUITMENT

Employees are our precious assets as well as our future. Lotte Shopping is actively recruiting talent among new, experienced and professional job seekers. Abroad, we are focusing on excellent human resources who will lead our global business. Moreover, we are an equal opportunity employer and do not discriminate against job seekers on the basis of their genders, disabilities and others.

Competent Employees

Competent Employees for Lotte Department Store

Talent placing customer values first: Realizing customer value with customer-centric thinking
Creative talent: Not resting on his or her laurels and making efforts for a change
Enthusiastic talent: Doing their best to improve their work with positive thinking
Global Talent: Understanding global trends with open minds and global business capabilities

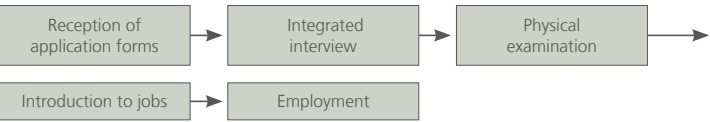
Competent Employees for Lotte Mart

Customer Orientation: Identifying customer needs accurately and realizing customer satisfaction
Creativity and Innovation: Developing creative alternative with new perspectives
Responsibility: Completing work with responsibility while following basic rules

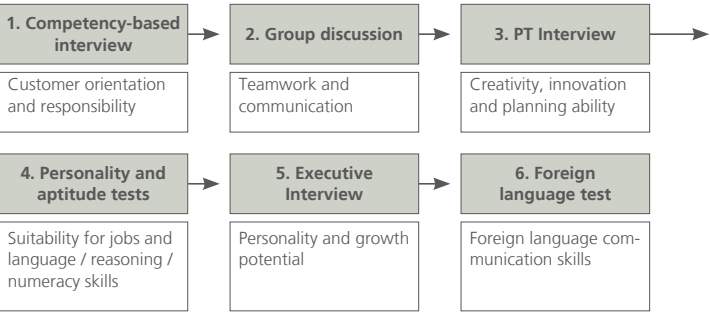
Lotte Shopping’s Recruitment

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 in the first half and the second half. Lotte Group subsidiaries recruit new employees in the same periods. But their detailed procedures are slightly different. Lotte Department Store 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.

Lotte Shopping’s Recruitment Process



Lotte Shopping’s Integrated Interview



Recruitment Activities

When hiring new employees, Lotte Shopping conducts a wide array of PR and recruiting activities in order to secure talented people.

Korean Student Internship at Overseas Stores | Lotte Shopping continues overseas branch expansion. In the second half of 2013, the Company conducted its first campus recruiting in China into which it advanced. Talented people with a deep understanding of the local culture who were fluent in the local language were selected as interns. They went through the duties of both sales and non-sales teams for about four weeks through internships at local stores. After the internship is completed, a PT interview and an interview by executives will finally select successful applicants. They will be given privilege in a hiring process.

Job fair for Simultaneous Interpreters and Linguistic Talent | The Company held a job fair for simultaneous interpreters and linguistic talent at Munhwa Hall at Lotte Department Store, inviting 150 linguistically talented students from the nation’s top graduate schools of interpretation and translation or departments of international studies at prestigious universities. The job fair was held with a special lecturer by the head of the Foreign Fashion Division, recruiting counseling with the HR manager, and a Q&A session over tea with employees working at sectors that requires foreign languages skills such as the Overseas Business Division, overseas personnel management and foreign fashion MDs.


Global Job-Cafe | Lotte Shopping ran the Global Job-Café Program at a coffee shop near Gangnam Station. About 100 applicants were selected through a pre-reception. They were able to get information about recruitment and internship through individual consultation with HR managers. Moreover, the participants were given special mock interview opportunities with foreign interviewers. Mock foreign language interviews with actual interviewers were very popular and satisfied the participants.

External Professional and Experienced Worker Recruitment | Lotte Shopping recruits experienced workers while focusing on positions that require expertise in a mid-to long-term perspective. The Fashion Division, the Foreign Finance Team and the Design Office brought in executives and team leaders. An attorney was recruited in the legal support sector of the New Business Division. One experienced female employee who joined the Company in 2012 was promoted to an executive, making headlines. Going forward, we are planning to actively bring in external experts whenever the need arise. Besides, we are one step ahead of others in recruiting talented people through a variety of channels such as campus recruiting, job fairs, college student idea contests, the recruitment of retired Marine Corps officers recruiting and lady officers.


Lotte Department Store’s Recruitment of External Specialists

	Male	Female	Remarks
2012	-	6	6 female team leaders
2013	2	4	Executive one people, one people lawyers, female team leader / manager class 4 people
Total	2	10	-


Various recruitment activities




Retired military (including the Marine Corps) officers



CEO Lecture



Idea Contest



Global Job-Cafe

Employees

Annually Lotte Shopping contributes to new job creation through its business expansion. We give individuals opportunities to grow by employing hundreds of people every year and strive to enhance employee satisfaction and lower retirement rates through improved working conditions and treatment.

Lotte Shopping Employees (Unit: persons)

Year	2011	2012	2013
All	25,472	26,149	28,940
Full-time	12,123	12,604	13,062
Temporary	13,349	13,545	15,878

Overseas Talent Recruitment Policies

The acquisition and training of global talent matter for successful overseas business. Lotte Shopping is implementing a variety of programs for systematic global HR development.

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

Securing Excellent Local Human Resources | We are making endeavors to hire excellent local human resources as a localization strategy for international business success. We place top priority in hiring excellent staff of the local major distributors. We are also enhancing the brand of Lotte by local college graduates through the global recruitment by the Lotte Group.

Lotte Shopping’s Resident Employees and Local Employees (those of Lotte Department Store and Lotte Mart)

2011

	Dispatched from HQ (persons)	Ratio(%)	Locally hired (persons)	Ratio(%)	Total(persons)
China	74	0.4	19,414	99.6	19,488
Russia	8	6.2	121	93.8	129
Vietnam	16	2.4	657	97.6	673
Indonesia	20	0.8	2,495	99.2	2,515
Total	118	0.5	22,687	99.5	22,805

2012

	Dispatched from HQ (persons)	Ratio(%)	Locally hired (persons)	Ratio(%)	Total(persons)
China	80	0.4	19,213	99.6	19,293
Russia	4	7.0	53	93.0	57
Vietnam	12	1.2	1,027	98.8	1,039
Indonesia	18	0.8	2,381	99.2	2,399
Total	114	0.5	22,674	99.5	22,788

2013

	Dispatched from HQ (persons)	Ratio(%)	Locally hired (persons)	Ratio(%)	Total(persons)
China	71	0.3	22,093	99.7	22,164
Russia	4	7.7	48	92.3	52
Vietnam	16	0.7	2,262	99.3	2,278
Indonesia	18	0.3	6,329	99.7	6,347
Total	109	0.4	30,732	99.6	30,841

Providing Equal Opportunity

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

Recruit Ratio Trend in Gender by Years

	2011		2012		2013	
	No. of employees	Ratio(%)	No. of employees	Ratio(%)	No. of employees	Ratio(%)
New Recruits	1,435	-	1,650	-	1,429	-
Male	1,048	73	1,191	72	884	62
Female	387	27	459	28	545	38

SUSTAINABLE VALUE - TOGETHER

ORGANIZATIONAL CULTURE

Lotte Shopping strengthens HR competitiveness as an industry leading companies to conduct an employee survey on its organizational culture each year. The survey results were reflected in HR management. In addition, aggressive efforts by labor and management are a great contributor to realizing exemplary labor relations to the extent that the Company has realized a dispute-free workplace for 30 years based on mutual trust and cooperation.

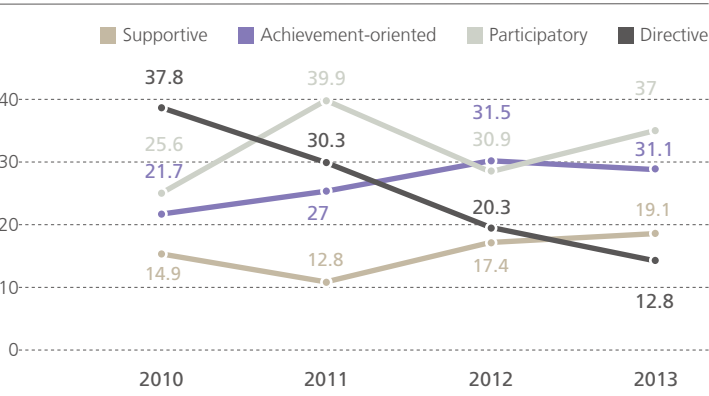
Employee Organizational Culture Survey

This survey covers five vital categories - organizational effectiveness, vision and strategies, leadership, the organizational culture and the HR management system. Via the survey, we can measure our employees’ vision recognition level, job satisfaction and commitment level, corporate image recognition level and overall GWP index.

The survey says that over 80% of employees have positively responded to job satisfaction, immersion into their organization and an understanding of the Company's visions and strategies. Moreover, a change is made in a leadership paradigm from knowledge-based leadership to achievement-based, supporting and participatory leadership. Overall, employees recognize that Lotte Shopping is a flexible organization based on strong communication.



Manager Leadership Style



Lotte Shopping Labor Union

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

Lotte Shopping Union Membership (in 2013)

	Lotte Department Store	Lotte Mart
No. of subjects	2,099	1,300
No. of members	1,186	600
No. of full-time union officials	5	3
Higher groups	Korea Confederation of Trade Unions, National Federation of United Trade Unions	Korea Confederation of Trade Unions, Federation of Tourist Services

SUSTAINABLE VALUE - TOGETHER

PERFORMANCE MANAGEMENT

Lotte Shopping runs a performance-based HR management system and systematically manage employees’ performances to encourage them to demonstrate their ability and let them receive rational compensations for their performances. The New Grade System was introduced to make the HR management system based not on ranks but on job titles.

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, 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 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.

Differential Salaries

	EX Grade (Excellent)	G Grade (Good)	AV Grade (Average)	NIGrade (Need Improvement)	UNGrade (Unsatisfactory)
Percentage	10%	15%	60%	10%	5%
SA or higher Based on 650% of performance-based bonus	+150%	+100%	-	-150%	-300%

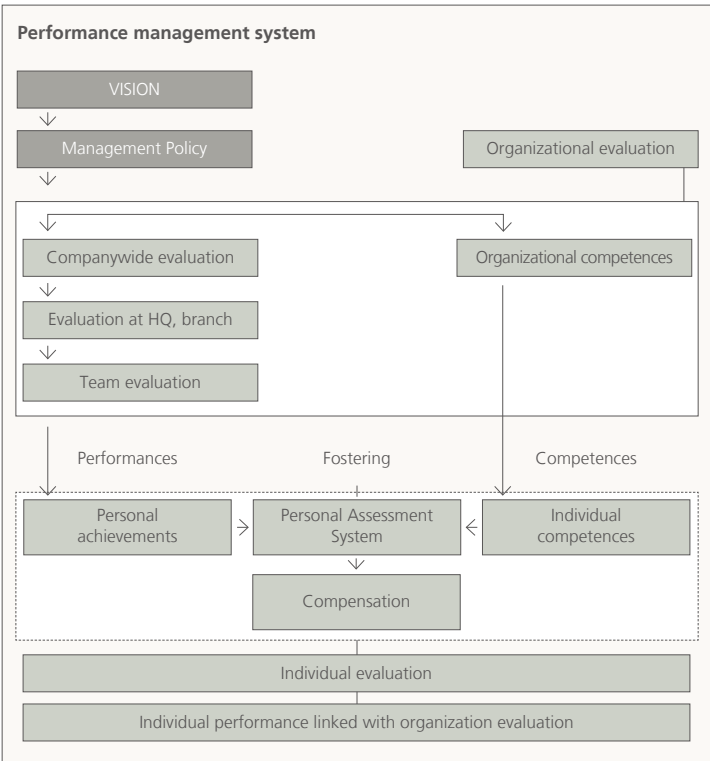
Differential Performance-Based Bonuses

		Individual evaluation (50%)						
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%	92.5%	85%	77.5%
	UN Grade	20%	70%	100%	92.5%	85%	77.5%	70%

Performance Management Process

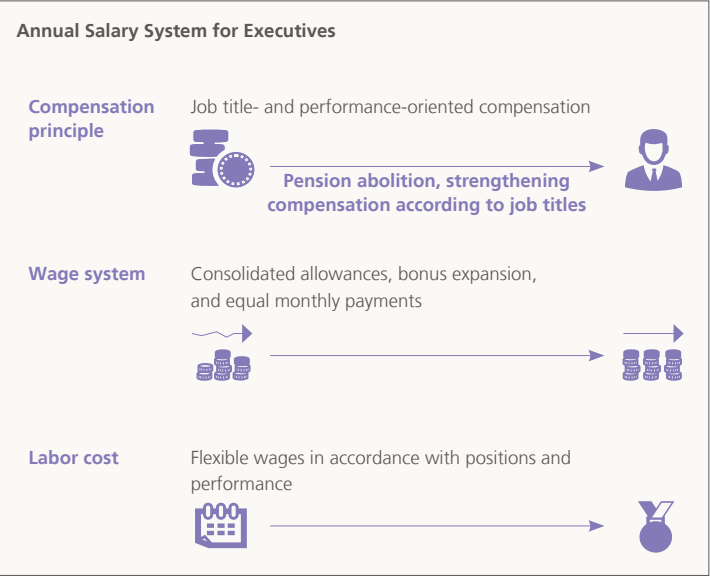
Performance evaluations are carried out based on objectives and criteria agreed on with each individual. Compensations are laid down in accordance with evaluations that reflect whether objectives have been reached and individual performance levels. Evaluations are conducted twice a year through discussion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

Performance Management Process



Various Performance Management Systems

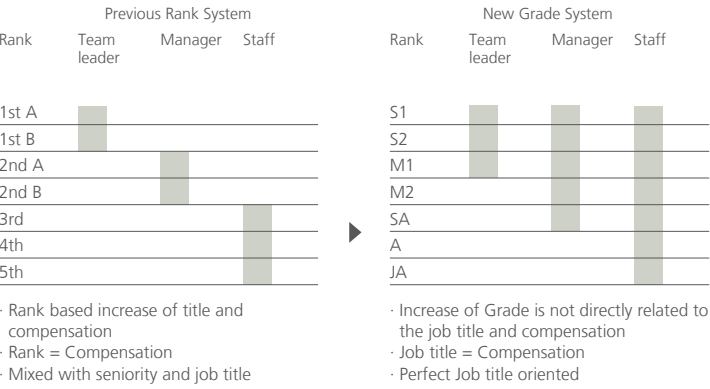
Lotte Mart supports employees in order to help them achieve their best performances such as a performance-based annual salary system, compensation standard improvement, an open in-house position system and self-development training. In addition, the Company does not limit grades in selecting team leaders and store managers according to organizational expansion. In 2012, we selected the first manager of the SA grade. Currently four SA-grade store managers are running shops based on their excellent leadership and competency 101 SA-grade managers are building up their capabilities by playing the role of a manager as preliminary store managers.



Job Title Holders by Job Ranks

	2011	2012	2013
Team leader / store manager			
S1	28	32	36
S2	65	70	78
M1	76	81	78
M2	11	10	24
SA	-	2	4

Change in Paradigm to Give Job Titles Based not on Job Ranks but on Performances and Capabilities



New Grade System

We have abolished the existing rank hierarchy in April 1, 2011 and have implemented the New Grade System. Under this new paradigm shift of organizational culture, only those with full capability are given job qualifications and only those qualified with high performance are given actual job titles, which are then linked to financial compensation. In short, promotion to a higher grade means acquiring job qualifications and titles and ultimately receiving higher compensation. For this, some of the existing job titles, i.e. senior manager, manager, and junior manager, were realigned in the new system that distinguishes leadership title, Team Head, Manager, and non-leadership title for general staffs, Senior and Chief. Moreover, to meet the full intent of the system, we have been reinforcing the job title oriented system by giving job title allowances to executives who play job title roles since April 1, 2014.

Differentiation of Introductory Education for Short- and Long-Term Employee (Outlet and Young Plaza)

Existing employee introductory education was consistently carried out as introductory education for short- and long-term employees. New recruits basic working rules and service mindedness through short five-hour introductory education. Three months after entering the Company, they receive eight-hour introductory education for long-term employees about customer communication. But outlets and Young Plaza have different target customers, making it necessary to change points to serve customers. A change made employees at outlets receive integrated short-term and long-term introductory education for five hours since product competitiveness matters at outlets. We differentiated service point education for employees at Young Plaza serving young customers.

Tailored Theme-Based Course by Product and Customer Groups

To meet varied customer needs, Lotte Department Store has been running theme-based courses tailored to customer groups and product lines since 2012. By 2013, the Company developed 16-theme curriculum. In June, 12 theme-based courses became copyrighted.

Course on Service Skills by Customer Groups: Customers are divided into young customers and senior customers by their ages and male and female customers. Furthermore, we developed theme-based courses for specific customer groups such as foreigners, couples, rich young mothers and are running them at all of our branches.

Course on Service Skills by Product Groups: Customers exhibit different tendencies, depending on the product group customers. This makes personalized services more important. The company gave personalized service education by analyzing market trends and change in customers' propensities, taking into consideration product groups such as food, cosmetics and outdoor gear.

Other Theme-Based Courses: Lotte Department Store (Lotte Department Store) is putting its effort into enhancing services by running various theme-based curriculums such as customer sentiment, facial design and summer cool service courses in addition to services by product and customer groups.

SUSTAINABLE VALUE - TOGETHER

HUMAN RESOURCES DEVELOPMENT

Lotte Shopping is running a variety of practical educational programs with its focus on common competency, leadership competency and job competency to foster world-class distribution specialists. Moreover, to meet employees' desire to learn, the Company strongly supports lifelong education for employees. Abroad we are also increasing our competitiveness as a global distributor by fostering specialists in countries that we make inroads into.

Lotte Shopping's Employee Training

Topics		2011	2012	2013
Educational expenses (in KRW 1 million)	Department Store	6,441	5,002	5,349
	Mart	3,421	3,403	3,704
	Super	703	895	1,062
	Cinema	696	907	741
	Total	11,261	10,207	10,856
Students (Persons)	Department Store	7,000	7,390	6,967
	Mart	4,142	4,280	9,650
	Super	7,355	7,023	7,017
	Cinema	448	521	713
	Total	18,945	19,214	24,347
Employee training time (Hours)	Department Store	336,000	258,652	271,712
	Mart	509,415	539,327	588,950
	Super	88,260	112,365	133,331
	Cinema	53,789	62,986	80,584
	Total	987,464	973,330	1,074,577
Training time per employee (Hours)	Department Store	48	35	39
	Mart	123	126	61
	Super	12	16	19
	Cinema	120	121	113
	Total	76	75	58
Courses	Department Store	654	616	880
	Mart	459	470	553
	Super	90	97	90
	Cinema	70	72	83
	Total	1,237	1,255	1,606

e-Learning Training System

Lotte Shopping operates the E-Learning Training System for employees and encourage them to commit self-development regardless of time and place. The program offers over 1,000 courses such as business, computers, humanities, philosophy, and foreign language content. In addition, we try to accommodate employee's needs and trends and add up new courses. For instance, we can add an evaluation item by providing additional data for the department staff to general curriculums. We are enhancing the quality of phone language study programs by adding a program by foreigners in their countries.

Mobile Training Center "Acropolis"

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

Lotte Distribution College

Since 1994, Lotte Department Store has been operating Lotte Distribution College in order to cultivate distribution specialists with a broad understanding of the distribution business. For those Grade SAVA employees with enterprising spirit and enthusiasm, Lotte Distribution University offers blended learning programs once a year including 1-year-cyber-training, group training, site visit research and overseas training. The college produced the first alumni of 28 people in 1995, has produced a total of 636 alumni by the 20th class. In addition, by presenting research themes every year and selecting five to six in-depth distribution strategy researches, they generate new ideals of growth engine and business improvement of Lotte Department Store.

Graduates of Lotte Distribution College (Unit: persons)

	1st-19th class	20th class	21st class (Scheduled)
Students	602	34	30

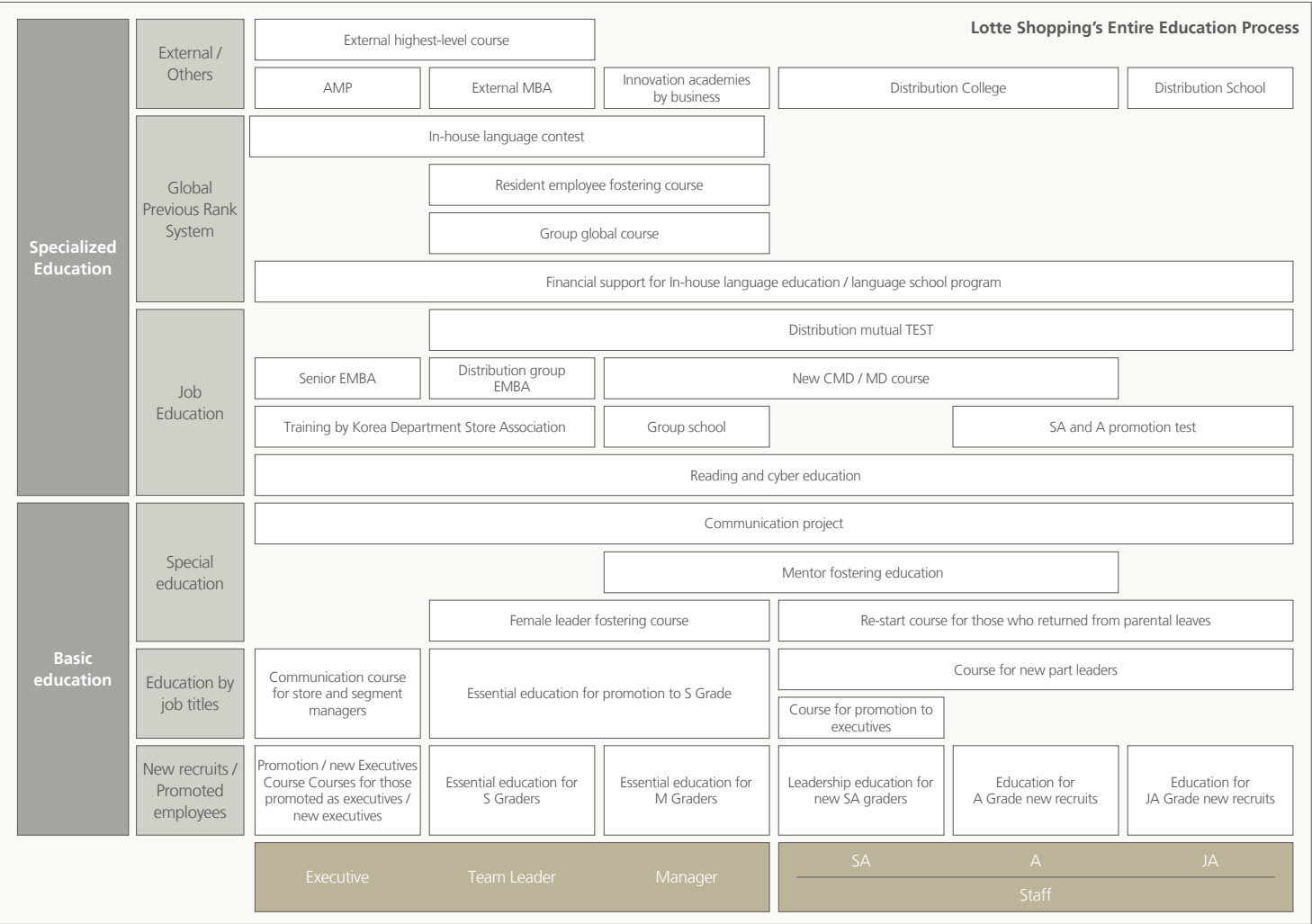
Lifelong Learning Program

To satisfy employees’ learning needs and support their lifelong learning, Lotte Department Store offers a four-year internal university program to holders of degrees from a two-year junior college and high school graduates. We also offer all employees four-year cyber education programs at Kyung Hee Cyber University, Korea Cyber University of Foreign Studies, Sejong Cyber University, Hanyang Cyber University, and Seoul Digital University. Available to personnel of Lotte Shopping and vendors’ employees(co-workers), these programs are intended to give motivation and boost loyalty

among workers. An undergraduate course has been jointly run with Kyung Hee University since 2006. Totally 191 individuals have completed the program and the current enrollment is 66. In the meanwhile, the cyber program with Seoul Digital University was launched in March 2009 and more cyber programs have been available since March 2011 when we started opening courses at Kyung Hee Cyber University, Hanyang Cyber University, Sejong Cyber University, and Cyber Hankuk University of Foreign Studies. We give benefits of tuition fee cut by 30% to 50%.

Graduates and Students of Kyunghee Univ. Program (Unit: persons)

Period		Status				Enrolled Students				
		Total	Graduates	students	absence	Directly managed	Temporary	Outsourced	Colleagues	
1st~3rd class	2006.09~2011.02.14	114	103	0	11	112	3	1	14	Graduates in 2014
4th class	2009.09~2012.02.37	37	33	0	4	32	1	0	7	
5th clas	2010.09~2013.02.36	36	31	1	4	23	9	4	4	Directly managed: 17, Temporary: 5
6th class	2011.09~2014.02.37	37	24	4	9	21	7	7	3	Outsourced: 2, Colleagues: 2
7th class	2012.09~2015.02.38	38	0	27	11	19	7	11	3	
8th class	2013.09~2016.02.40	40	0	34	6	24	12	0	4	
Total		302	191	66	45	231	39	23	35	



Female Leaders

Lotte Shopping is fostering future female leaders by developing female workers’ capacity systematically. Education is conducted to correct recognition of female employees (lack of confidence about jobs and leadership) and foster female leaders who understand and put corporate visions and core values into practice. Moreover, the Company improved its female workforce development system and strengthened the education to the extent that Lotte Group HR Forum studied and develop female leadership via a special lecture on female resources development. In 2013, we hold five 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.



Breakfast meeting with female leaders

Job Qualification Certification System

Lotte Shopping’s job qualification certification system encourages employees to accumulate basic job knowledge and develop practical skills. Existing key HR programs (Job School, EMBA, SEMBA and AMP Courses) has been run mainly for M grade or higher rankers. The Company had no similar courses for lower rankers. The current job qualification certification system lays the foundation for nurturing occupational specialists through online lectures and offline tests for working-level M2 to A grade employees. 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) is being operated. A total of 304 people took part in the job qualification certification online course and 157 people pass the exam offline in 2013. We are helping more employees grow into professionals through steady guidance about education and tests every month.

Job Qualification Certification System

	No. of subjects	No. of those who completed system online	No. of test takers	No. of successful applicants	Success rate
2011. 10 ~ 2013. 12	681	801	358	255	37%

* For A~M2 Grade

Core Talent Education

Lotte Shopping nurtures key personnel through a connection between internal programs and external agencies. A variety of educational programs by positions increases employees’ core capabilities. Support for outside MBA programs for employees is academically inspiring them.

AMP (for the CEO): The College of Business Administration at Seoul National University manages the AMP and pioneered business administration education. The college boasts the longest history among colleges of business administration. The program not only trains leaders of Lotte Shopping but top leaders in all sectors in Korea. Students learn the latest issues in business administration and develop their capabilities as future CEOs through marketing and HR classes, camp programs, lectures for students and their spouses and overseas workshops

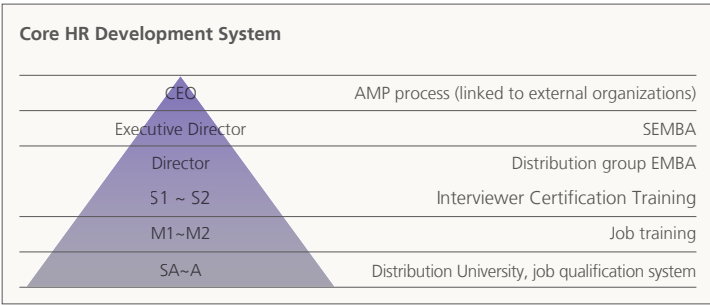
SEMBA (for a new managing director)-SEMBA (new executive course): This course for executives is designed to nurture future CEOs with macroscopic perspective and thinking. Through this program, students are able to increase and balance their financial, marketing, strategic thinking and leadership capabilities.

Distribution group EMBA (Director~S1): This is a business leader course to understand management, economy and the distribution industry. In a short period, the program teaches not only strategic thinking about management but also connections among departments, difficulties in CEO's roles, the prediction of rivals’ moves and the importance of proper responses.

EMBA Alumni: The post-EMBA program creates a sense of unity in an organization by promoting communication among executives. Students learn and share the founder’s business philosophy and key items. This program allows them to expand their capabilities of exercising leadership, devising management strategies and catching global trends.

Support for Outside MBA Programs: Lotte Shopping runs MBA program of prestigious universities in order to foster global professionals. Classes are held in the evening (19:00 to 22:00) after work on three weekdays. The Company pays Entrance fees and full tuition.

MK-HUFS China CEO Global Strategy Course: This course jointly managed by Maeil Business Newspaper and HUFS focuses on China only as the only course to stick to studying one specific overseas area in Korea. Its theme is the latest information on China and professional Chinese management methods. This course empowers students to craft strategies to make a foray into China and broadens perspectives on global strategies.



Core Talent Education Program

Core Talent Education Program

	Schedule	Details
AMP	March to August (16 weeks by classes)	· Strategic insight and networking for CEO · Special issue lectures, business simulation, understanding international business environment, etc.
SEMBA	April to August (14 weeks)	· Fostering future CEOs with macroscopic and strategic thinking
	August to December (14 weeks)	· Business environment, strategic thinking, leadership, financial investment, marketing, core values
Distribution group EMBA	April to August (14 weeks by classes)	· Fostering officers and officer candidates with insight into overall distribution industry · Strategic management, leadership, M & A, retail industry status, etc.
Job school	April to August (16 weeks) August to December (16 weeks)	· Job-specific nurturing of key personnel candidates (planning, finance, marketing, HR, PR, etc.)
MK-HUFS China CEO Global Strategy Course	April to December (7 months)	· Fostering Chinese business specialists for achieving Vision 2018

External MBA Programs

	Evening MBA	MBA for temporary retirees
Educational contents	MBA courses at prestigious universities	Selection and dispatch for global, SNU MBA programs
Period and method	2 to 2.5 years, evening study after work	1 to 1.5 years, study during temporary retirement
Support details	Payment of full education costs	exchange students at famous global universities
Enrollment 2012	8 (1 at Seoul National, Yonsei, Sogang and Hitotsubashi Universities respectively, 4 at Korea University)	
2013	1 (Yonsei University)	
2014	4 (2 at Korea University, 1 at Graduate School of Labor at Korea University and 1 at Yonsei University)	

With Book

“With Book” is an autonomous self-reading program to promote creative innovation and self development apart from previous passive reading communication training. With Book offers various books they want to select all the year round. An academic credit of 0.5 has been given those who write book reviews since the third quarter of 2013. Therefore, employees are committed to reading motivations, planning for self-directed reading and enhancing expertise.

Use of With Book (Unit: cases / KRW 1 thousand)

	2011	2012	2013
Purchases	19,493	19,421	21,420
Amount of fees	209,235	207,589	266,729

e-Book Library

Lotte Department Store is doing its best to create a book reading culture where employees freely read books regardless of time and spaces through various channels. We are helping our employees to use their free time more efficiently and effectively by utilizing the electronic library, especially when they use public transportation and have 5-day-work week. With tablet PCs and smartphones, all employees can read a wide range of popular books at this library with about 500 e-books. They can use the library free of charge.

Colleague Education

Customers steadily demand service upgrades. Customer needs continue to vary. Accordingly, Lotte Department Store judged that famous brands, innovative and quality products alone cannot cater to customer needs fully. Thus, the Company is doing everything it can do to elevate the level of colleagues’ service. Standardized introductory service education evens the overall level of service. At the same time, theme education courses were differentiated for product groups and enabled colleagues to provide services that can cater to customer needs. Lotte Department Store divided colleagues into short-term and long-term employees and carries out systematic service education for them from the point they begin to work. Moreover, by developing a specialized service process products tailored to customer groups, we are giving differentiated education.

Education of Colleagues in 2013

		Highlights	Time
Introduction		· Introductory education for short-term employees (new recruits): Basic service education and work rules	· When necessary
		· Introductory education for short-term employees (those who worked for at least three months: Service enhancement education	
		· Introductory outlet education (outlet employees): Outlet-customized service education	
Customized theme-based courses	By product groups	· Customer service at national holiday food corner	· January and August
		· Customer service at cosmetic corner	· February
		· Customer service at outdoor products	· May
		· Skills to prevent customer complaints at food corner	· June
	By customer classes	· Customer service 1, 2 for foreign customers	· When necessary
		· Customer service for male customers	
		· Customer service for young customers	
		· Customer service 1, 2 for senior customers	
		· Customer service for customers who will marry soon	
		· Customer service for parents who want to buy products for their children	
	Others	· Customer service for Young Plaza customers	· April
		· Customer buying psychology course	· September
		· Creating sound SNS culture	· When necessary
		· Summer cool service to appeal to five senses of customers	

SUSTAINABLE VALUE - TOGETHER

EMPLOYEE WELFARE PROGRAMS

Lotte Shopping is running employee welfare programs of the highest level in the distribution industry to realize work-life balance. Specifically, as a family-friendly company, the Company supports a wide range of maternity and child care systems for employees’ happiness. In addition, our efforts are being made to enhance employees’ health, stabilize their lives and strengthen communication with them.

Employee Grievance System

Lotte Shopping’s various employee grievance systems help our employees work in a better environment. Via an online channel, the Company receives and remedies employee grievances which have a big negative impact on corporate performance and the vitalization of the organization by email, mail and phone. This method also empowers the Company to do away with elements against the vitalization of the organization. Furthermore, this triggers a drop in the Company’s turnover, maintaining excellent human resources and enhancing customer satisfaction. This finally leads to an increase in profits and employee satisfaction, resulting in a virtuous cycle.



Counseling on Employee Grievance

A. Counseling by Employment Types and Counseling Types (Unit: %)

Item	Employment types		
	Full-time	Colleague	Temporary
Status	36.3	41.3	22.1

Item	Counseling types				
	Work Environment	Psychology	Job	Interpersonal relationship	Others
Status	33.6	39.6	11.9	9.5	5.4

B. Number of Counseling Cases by Years (Unit: cases)

Year	2008	2009	2010	2011	2012	2013
No. of Counseling Cases	18,534	24,661	30,286	37,704	38,653	48,540

Operating Healing Center

Healing Center counsels on work environments, sexual harassment and treatment and offers counseling not only on simple grievances counseling room but also on professional psychological counseling. Along with rapid social and environment changes, our organization also has faced diverse personal psychology needs and resolutions for conflicts between hierarchies; and further to ensure healthy communication between employees in order to look after our employees’ emotional stability. Currently, there are 37 professional counselors. They are committed to help employees main-

tain their best mental and physical conditions via a wide range of healing programs. The counselors own Industrial Counselor Level 2 licenses of the Korea Association of Counselors. Some of them are performing the role of a professional counselor by obtaining Level 1 licenses or psychological test tool specialist licenses depending on their service time and capabilities.

Healing Counselors with Licenses (Unit: persons)

	licenses
Industrial Counsellor Level 2	37
Arts Psychology	7
Career, working interest (STRONG)	6
Personality type test (Enneagram)	17
Personality type tests (MBTI)	32
Youth personality tests (MMTIC)	11
Healing program (EFT)	9
Super Vision Course	12

Main Responsibilities of Healing Center	
Professional Counseling	
Job-related	Personal emotions
· Minnesota Multiphasic Personality Inventory (MMPI) for Executives · Personality Type Test (MBTI/MMTIC) · Carrier aptitude and Barrier Inventory (STRONG) · Grievances within the Company (Environment, Treatment, Suggestions) · All employees required 1:1 Counseling	· Mental Health(depression / stress)Exam (SEMS) · Crisis Management prevention (suicide, addiction, etc.) · Family issues (couple / child care, etc.) · New migrants adapt counseling
Healing Program	Others
· Healing program (Healing therapies, sensitivity, meditation, etc.) · Psychological Themes Open lecture · Healing lecture (short- & long-term colleague) · Staff psychological healing education · Gender equality education · Education for those who return from parental leaves	· Identifying employee pre emotions (complete in shop, atmosphere) · On-site feedback for system improvement and employee benefits status · Visit and interview with regional migrant employees · Regular meetings (monthly / quarterly) · Biweekly visit Young Plaza / Outlet

Supporting Children's Schooling and Family Medical Expenses

In 2013, Lotte Department Store has paid 430 million won for 477 employees’ medical expenses while Lotte Mart has paid 1.93 billion won for 2,827 family members of employees’ families for schooling expenses. Lotte Mart paid a total of 648 million won for 651 employees’ medical expenses in 2013.

Lotte Department Store's Payments of Schooling Expenses for Employees' Children in 2013 (Unit: KRW 1 million)

Quarter	University	High school	Kindergarten	Total
Q1	626	120	66	813
Q2	20	141	69	230
Q3	483	129	71	684
Q4	13	124	70	208
Total	1,142	614	277	1,934

Lotte Mart’s Payments of Medical Expenses in 2013 (Unit: persons / KRW 1 million)

Year		Employee			Spouse			Children			Total		
		persons	Amount	Ratio	persons	Amount	Ratio	persons	Amount	Ratio	persons	Amount	Ratio
2011	Regular	87	97	19%	46	54	10%	47	39	8%	180	191	36%
	Happiness	177	162	31%	93	116	22%	63	55	11%	333	333	64%
	Total	264	259	49%	139	170	32%	110	94	18%	513	524	100%
2012	Regular	98	122	21%	46	45	8%	23	32	5%	167	199	34%
	Happiness	205	207	35%	104	110	19%	87	77	13%	396	394	66%
	Total	303	329	56%	150	155	26%	110	109	18%	563	593	100%
2013	Regular	108	123	19%	52	67	10%	39	26	4%	199	217	33%
	Happiness	246	226	35%	121	144	22%	85	61	9%	452	431	67%
	Total	354	349	54%	173	211	33%	124	87	13%	651	648	100%

Chapter-House Communication, “Communis” Popup

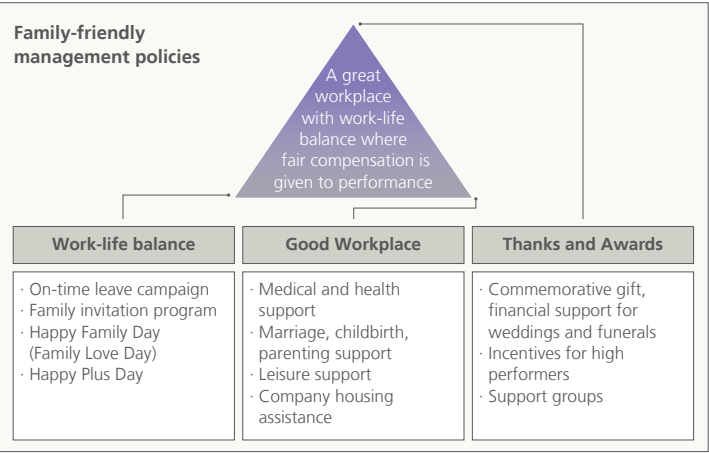
Lotte Department Store is operating a “Communis” pop up on the corporate intranet groupware in order to achieve communication, one of its core values. Communis meaning ‘sharing, communication and a community’ in Latin not only provides Information through different themes each day but let employees share visions. Through the pop-up window, all employees share business and corporate schedules. By providing information about fashion, IT and economics via the window, we strive to achieve communication through knowledge sharing.

Creating Healthy Workplace

Lotte Shopping is implementing the creation of a healthy workplace for the health of employees. By introducing a variety of programs such as Not skipping breakfast, Health And Welfare Mall, No-Smoking Fund and Cul-tural dinners, the Company increases employee satisfaction and improves the health of employees. Besides, partner hospitals send medical staff to our worksites to check employees’ health. Lotte Mart lets employees’ fami-lies, colleagues and partners’ employees go through comprehensive health check-ups at lower prices as well. The program interested many people. Approximately 150 people have enjoyed the benefit since enforcement in April 2013. In the future, Lotte Mart will conduct customized quality health check-ups for elderly employees and family members of employees at lower prices.

Family-Friendly Management

Lotte Shopping has introduced family-friendly management to achieve a balance between work and their personal lives. During the holiday sea-son in each year, we operate Summer Resorts including auto camping, caravans, pension, and further we offer various activities such as a BBQ party, trout catching, corn picking and other various outdoor experiences. We also organize family programs like baseball group tour, cinema day and various cultural experiences. 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.



Childbirth and Parenting Welfare Program

Lotte Shopping operate various systems to create a work environment and create a culture of caring for pregnant women and a nice working environ-ment for women. Pregnant female employees use a flexible working system, a morning sickness vacation, an exclusive space in employee resting room, and discounts for childbirth and parenting classes at cultural centers and receive a necklace gift and special disserts. Lotte Department Store operates childcare classes for pregnant employees and gives transportation cards 30 days before her due date. After the delivery of a baby, 1 box of powdered milk is given as a gift. The Company runs a working mom community for employees taking parental leaves and offers books and online classes to them. We have also a training program for maternity leave employees who restart to work, for adopting and adjusting to their job quickly.

*Gifts for childbirths in 2013: Gifts worth KRW 14 million won were given to 163 employees

Eco-Friendly Childcare Center

Lotte Department Store operates two company nursery centers “Lotte De-partment Store Nursery” for female employees to relieve the burden of the childcare and to concentrate on the job. Considering the opening hours of department stores, the center operates extended hours and on holidays and provides free dinners and operates shuttle bus. In this manner, we are doing everything we can to help women develop their careers and create a good working environment for them.

Family-Friendly Programs

Lotte Mart is implementing family-friendly management through a wide array of family-friendly programs such as Eco-Healing Family Camp and Parenting Class at Worksites.

Lotte Mart’s Programs for Childbirth and Parenting

	Detailed items	Highlights
Childbirth	Giving bonuses for special occasions (Childbirth)	· Paying bonuses to employees who gave birth to babies (regardless of their job titles) · Increased amounts of bonuses beginning in October 2010
	Maternity leave (Childbirth)	· Three months of leave before and after childbirth → guarantee of 45-day leave shortly after childbirth · Payment of salary → 60 days: Normal salary (except for overtime allowances) → 30 days: Subsidies from government's employment promotion center
	Paternity leaves (Childbirth by their wives)	· Male employees can use paternity leaves when their wives give birth to babies
	Gifts for childbirth (Giving powdered milk)	· Delivering six cans of powdered milk to employees' homes
Parenting	Paying for school expenses for children of employees	· Children at kindergartens, middle and high schools and colleges (except for elementary schools) · Up to two children (But, no limit to children at kindergartens) · Paying for actual expenses for their educational stages
	Paying for medical expenses of employees’ children	· For employees' spouses and unmarried children registered in their medical insurance cards · Amount: Up to 10 million won per year depending on their service time

Parental and Self Development Leave Systems

Lotte Shopping introduced an automatic parental leave system in order to create a working environment where female employees can make the most of their ability in September 2012. The system automatically makes parental leave available at the end of a parental leave without an applica-tion process. Female employees can freely use parental leaves and return to work through a simple process. Besides, they can receive information about their work and internal and external issues through a variety of online and offline education during their parental leaves. They can easily adapt to their working environments that changed during their leaves. Furthermore, since 2008, we have operated a self-development leave system for degree pro-grams and studying foreign languages abroad. Thus, the system permits employees to develop themselves without having their careers interrupted.

Parental and Self Development Leaves

Making parental leaves mandatory	· After the end of a maternity leave, a one-year parental leave automatically begins. This change also transfers the employee to the General Affairs and Purchase Team. · If an employee cannot use a leave due to personal reasons or wants to return to work earlier, he or she can explain the reasons in writing before returning. · 95.8% of employees used parental leaves after maternity leaves in 2013
Self-development leaves	· Domestic and foreign degree programs (up to three years), overseas language study (up to one year) · Giving KRW 3 million to degree program participants and KRW 1 million to participants in overseas language study programs · A total of 17 employees used self-development leaves

Leave Program to Take Care of Employees’ New Pupils

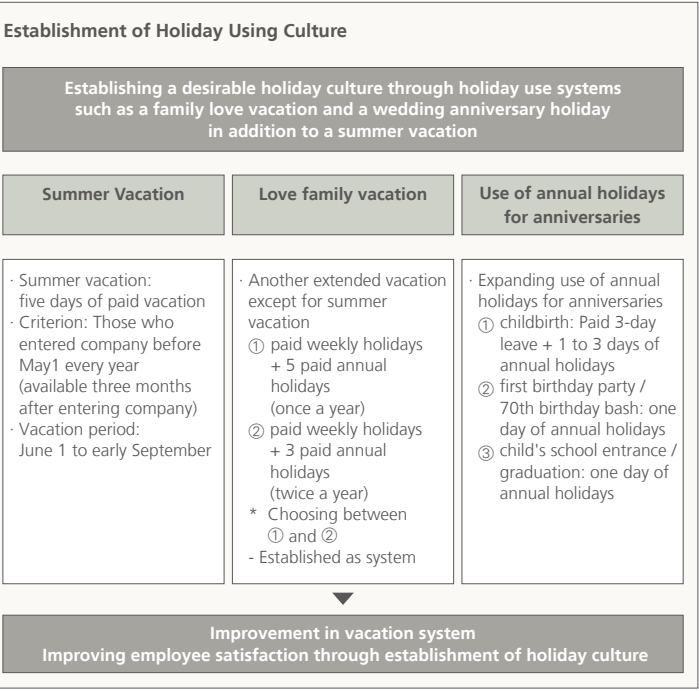
In March 2013, Lotte Shopping introduced a leave system to take care em-ployees’ pupils. Through this system, female employees can use leaves of one month or vacations of one to two weeks to take care of their children when they enter elementary schools in spring. This can relieve employees’ anxiety about their children’s adjustment to their schools. Lotte Shopping is taking the lead in creating an atmosphere where talented woman devel-op their careers without any discrimination through the introduction of female-friendly systems such as automatic parental leaves and leaves to take care of their pupils. and parental encouragement. We are stepping up our effort for sustainable social development by promoting childbirth and parenting.

Family-Care Leave System

Lotte Shopping has been allowing employees to take a family-care leave of up to 90 days per year to take care of their parents (or the parents of their spouses), spouses and children when they are sick or need help since August 2011. Therefore, the employees achieve even greater results after relieve their anxiety and returning to their work with improved efficiency and satisfaction.

Leave System for Spouses of Employees Stationed Abroad

A spouse of overseas resident employee can take a long leave during the term up to four years. Therefore, resident employees can fully display their capabilities and spouses can work again after returning to Korea.



Industrial Safety and Accident Prevention

Lotte Shopping strictly complies with procedures and processes to reduce industrial accidents. Lotte Mart acquired an OHSAS 18001 certificate in 2011. OHSAS 18001 is an international standard that specifies minimum requirements for health and safety management systems that organizations have to follow to autonomously prevent and consistently manage risk factors and industrial disasters.



To figure out and prevent industrial accidents that could possibly happen while running the business, Lotte Shopping has various procedures in place such as fire prevention management procedures, physical examination management procedures, procedures to manage dangerous machines used in fresh food areas, electrical disaster prevention procedures, musculoskeletal disease prevention management procedures, gas safety management procedures, procedures to manage incidents caused by carelessness, and disaster management procedures. Lotte Shopping conducts safety training in each quarter for different safety issues to promote safety awareness and prevent a variety of accidents, including fires.

Seasonal Safety Inspections by Theme

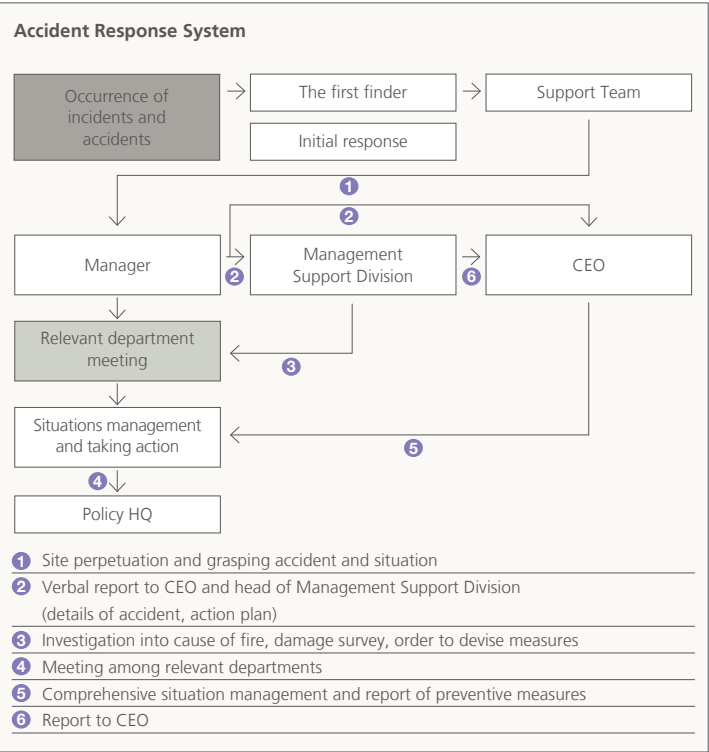
Period	Highlights
Q1 January~March	· Electrical thermal imaging measurement for contact failure and overheating(1st) · Freeze and Burst Check during thawing season and environmental improvement action
Q2 April~June	· Fire extinguishing and gas facility inspection · Generator operation inspection by conducting virtual blackout · Inspection Escalator and its cleanliness
Q3 July~September	· Safety inspection and equipment preparation for storms and floods · Electrical thermal imaging measurement for contact failure and overheating(2nd)
Q4 October~December	· Safety inspection for susceptible area for winter and status check for heating appliances · Electrical thermal imaging measurement for contact failure and overheating(3rd) · Fire drill competition (October) to prevent or fight fires · Special fire prevention training to increase employee safety awareness
Wartime	· 3 steps of national emergency action plan (early signs, preliminary alerts, air-raid alerts) · Emergency Preparedness Committee at HQ, customers evacuation broadcasting and convening emergency team · Maintaining liaisons with relevant agencies

Remarks: Common quarterly issues

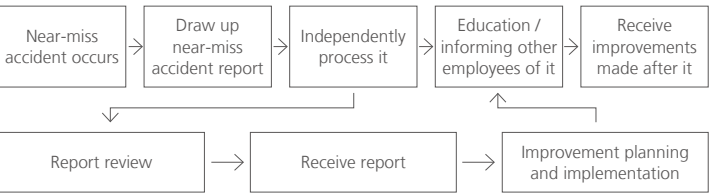
- Inspection of construction work site
- Inspection of fire fighting facilities
- Inspection of dangerous material management

Safety Inspection Results

Safety Inspection Items	2008	2009	2010	2011	2012	2013
Number of stores	26	29	31	35	38	42
Store and rear facilities (Points)	95.59	97.04	96.77	97.68	97.77	94.34
Firefighting facilities (Points)	97.88	97.78	98.43	98.15	98.9	99.08
Gas facilities (Points)	98.61	98.96	99.38	99.14	99.26	99.64
Escalators (Points)	98.89	99.12	99.42	99.43	98.69	99.29



Lotte Mart's Near-Miss Accident Response System



Retirees Support Program

Lotte Shopping carries out assistance programs for retirees. A memorial plaque is handed to retiring personnel in recognition of their service to the company. In addition, Lotte Shopping sends out various documents requested by retirees by mail free of charge. In addition, the retirement benefits for officers, we provide Lotte Department Store MVG benefits, condominium use, special occasion support, birthday gift and children's day gift and regular medical check-up service. In 2008, an "Outplacement program" was introduced to provide systematic support to retirees. We are taking the initiative in promoting their successful career transition and enhancing the corporate value of the Group's by providing optimized and honorable retirement programs for retiring executives.

Retirees and Retirement Rate (Unit: persons)

Year	2010	2011	2012	2013
Retirees	262	354	445	332
Average monthly retirement rate	0.49%	0.65%	0.80%	0.59%

Sexual Harassment Prevention Education

Lotte Shopping is exerting itself to raise awareness of sexual harassment at workplaces and prevent sexual harassment by giving sexual harassment prevention education at least once a year according to the Labor Act. All employees at stores and the HQ receive sexual harassment education such as sexual harassment laws, sexual harassment response procedures and measures and counseling for harassment victims. We will to continue to strengthen education and programs for the prevention for sexual harassment at worksites.

Key Issues about Employees and Communication Channels

Lotte Shopping spare no efforts to devise new programs and expanding communication channels by taking into consideration of employees opinions and attempt to diversify recruitment processes to secure excellent global talent.

Key Issues by Stakeholders (Internal and External Customers) and Communication Channels

Open internal selection system

- Collecting opinions about placement
- Better work performance

Leave system to take care of employees' pupils

- Listening to troubles of employees with school-age children
- Creating working environment without worrying about them

Loyalty cartoons produced abroad

- Producing educational materials that reflect the local culture
- Enhancing local employees' loyalty and sharing vision with them

Korean students' internship at overseas branches

- Campus recruiting in China and overseas branch internship
- Securing talent with communication skills and cultural capacity

Global recruitment event

- Inviting global talent, introducing Company to them and conversation with employees
- Encouraging global talent to enter Company

Hanmaeum Council

Lotte Shopping is operating Hanmaeum Council as an organization for communication and cooperation between labor and management. The council holds monthly meetings by sectors and quarterly companywide meetings. This aims to enhance communication and cooperation between labor and management and pursue the rationalization of management through representatives of labors' participation in managerial decision-making. This has touched off higher productivity and improvements in inefficient practices such as an improvement in working environments, the settlement of employee grievances and an improvement in work processes. This will also produce various outcomes such as making an improvement to irrational HR and labor systems and the eradication of redundant work processes.

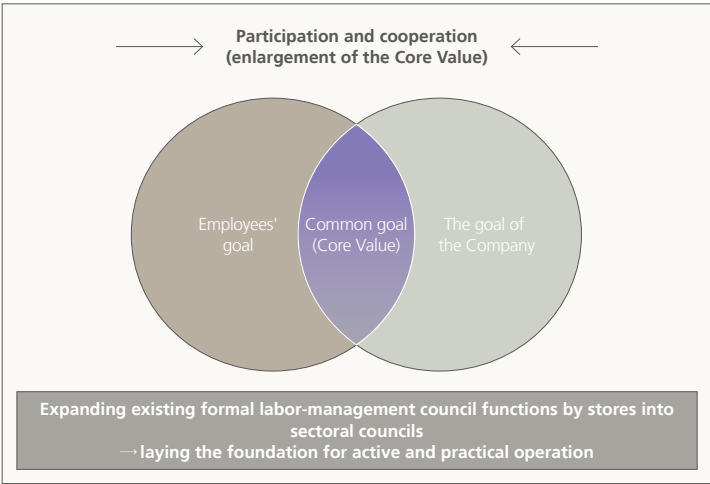
Members of Hanmaeum Council at Lotte Mart

Representatives of stores: A total of 255 people (three shop owners: two full time workers with SA or lower grades and one happiness worker)

	By job titles				By gender		Total
	SA	A	JA	Happiness	Male	Female	
No. of members	97	38	20	100	141	114	255
Ratio(%)	38.1	14.9	7.8	39.2	55.3	44.7	100

Goals of Hanmaeum Council Establishment

- The Hanmaeum Council aims to rationalize management through employees' participation in management decision-making processes
- Realizing organizational culture coexistence, cooperation and ultimately achieving common interest of the employees and the Company



Improvements by Hanmaeum Council

	Work Improvements	Improvement in working conditions	Employee grievances
No. of Improvements	113 cases (52.5%)	47 cases (21.9%)	55 cases (25.6%)
Contents of Improvements	ISP / improved management such as gifts and improved product guidelines	TRS / diffusion of new uniform use	Employee shopping-related complaints

tomorrow

Lotte Shopping has achieved rapid economic growth. To share growth with society, the Company is carrying out many social contribution activities.

Moreover, with the aim of minimizing its negative impact on the environment, the Company is putting its utmost efforts into environmental management, activities and investment. Furthermore, we are promoting a sustainable consumer culture by offering excellent and reliable products and services.

Lotte Shopping will give a boost to its activities to give people more benefits of such social and environmental activities and encourage them to take part in its sustainability management and customer satisfaction management.

SUSTAINABLE
ACTION



Strategy. 3 Sustainable Action TOMORROW

2013 Lotte Shopping's Sustainable Value-Related Achievements

KRW **44.9** billion

Eco-friendly products revenue department Olga, verdure etc.

Environmental professional brand operating

KRW **165.3** billion

Mart eco-friendly products revenue

Eco-friendly products certification

KRW **1.54** billion

Through GHG emission reductions save

Department store, mart of GHG goals through the management agent Emissions

KRW **8.4** billion

Through energy use reductions save

Department stores, through sustained campaigns Mart Energy use reduction

KRW **3.58** billion

Development Assistance Department budding designers

Edit incubating new brands shop 'The Wave' operates through revenue

KRW **66.1** billion

MPB-Mart brand products revenue growth accompanied by

Small producers and partners through the excavation support MPB revenue in product development

SUSTAINABLE ACTION - TOMORROW

ENVIRONMENTAL MANAGEMENT

As a global distribution company, Lotte Shopping is implementing measures to minimize its environmental impacts and protect nature. For this purpose, we internally set the first and foremost priority in decision making process on environmental value, and are making efforts to realize the true meaning of Green Lotte.

Environmental Management Policy

For a better environment in the future, Lotte Shopping declared its environmental management policies for eco-friendly development.

Lotte Shopping Environmental Management Policy

Based on customer-centric philosophy, Lotte Department Store as a leading Korean distribution industry, declares the Environmental Management Policy in the interests of the eco-friendly growth of society and the business circles as follows.

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 living culture induced with 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 environmental management.
4. We commit ourselves to executing continuous environmental improvement activities to reduce environmental waste and resources.
5. We commit ourselves to establishing and executing a firmer internal standard than compliance with 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 Climate Change Prevention Campaign.

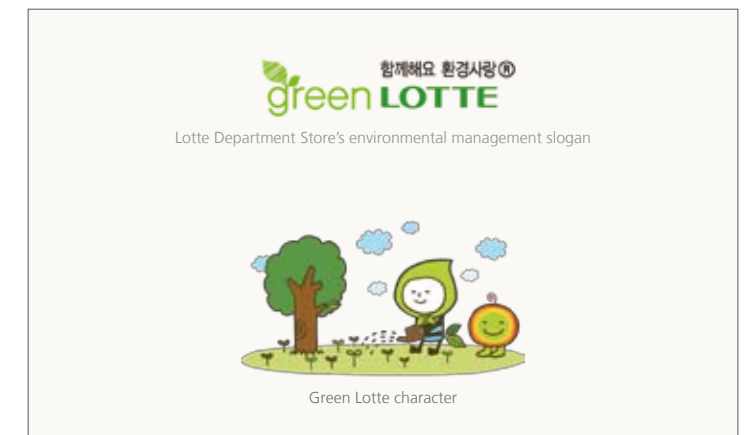
Environmental Management Strategy

Vision
"2018 Best Global Green Distribution Company"
Lotte Department Store grows into a world-class green distribution company respected throughout the world.
Strategic Goal
"Coping with climate change as world-class green department store"

Strategic direction and key challenges	
Green Company Eco-friendly department store	<ul style="list-style-type: none"> · Building companywide environmental management system · Enhancing GHG management across company · Introduction of low-carbon, eco-friendly facilities · Promotion of companywide green purchasing
Green Product Spreading green consumer culture	<ul style="list-style-type: none"> · Promoting sale of eco-friendly products · Development of eco-friendly packaging · Increasing eco-friendly giveaways
Green Campaign Strengthening eco-friendly campaigns with customers	<ul style="list-style-type: none"> · Reinforcing employee green campaign · Enhancing differentiation program with participation of customers · Global Green CSR activities
Green Partnership Boosting partnership with stakeholders	<ul style="list-style-type: none"> · Strengthening ties with government and public organizations · Maintaining environmental NGO partnership · Green supply chain management for partners · Diversification of communication channel with stakeholders

Green LOTTE

Green LOTTE is the environmental slogan of Lotte Department Store. As a leading distribution company in Korea, Lotte Department Store will disseminate "Green Value", representing our strong intention of environmental management throughout the network. Green Lotte Character "Saeromi" and "Haemi" are green Lotte characters in Lotte Department Store. A green leaf-shaped "Saeromi" is designed based on a motif of a new pear leaf which means a new and beautiful beginning of nature. A round face "Haemi" is designed based on a motif of the cozy Sun that shines upon the Earth which represents Mother Nature growing with unlimited nutrition and love by the Sun. Namely, Saeromi means a leaf, the start of nature while Haemi stands for the Sun that helps nature grow.



Environmental Management System Certificate

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



ENVIRONMENTAL MANAGEMENT INDEX

Lotte Shopping is enhancing energy use efficiency by setting energy saving goals, replacing old facilities with new ones, strengthening management standards, holding in-house campaigns. Saving energy leads to a reduction in GHG emissions, the minimization of environmental effects and cost cutting.

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 endeavoring to achieve its reduction target. 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. However, the amount of GHG emissions per square meter is dropping every year on the strength of consistent reduction efforts. To reduce GHG emissions and conserve energy, Lotte Shopping is establishing eco-friendly infrastructure. We also carry out diverse activities such as introducing highly efficient equipment, increasing the use of new renewable energy, building green parks on rooftops, and conducting energy conservation campaigns.

Annual GHG Emissions

GHG Emissions	Year	2011	2012	2013
Number of stores Area (㎡) Total emissions (ton) Emissions compared to area (kg / ㎡)	Number of stores	610	1,001	1,272
	Area (㎡)	6,139,762	7,365,411	7,813,981
	Total emissions (ton)	748,890	760,226	782,785
	Emissions compared to area (kg / ㎡)	121.97	104.44	100.18

Details of Implementation in 2013
September-October 2013
<Negotiated target amount and finalized reduction volume> · Submitted basic study forms (July 19) · Goal-setting negotiations (1st: September 10, 2nd: September 13) · Established reduction targets in 2014 (October 23) → reduction: ▲9.2%
December 2013
< Submitted implementation plan > · Submitted reduction implementation plan (December 30) → plan to reduce GHG emissions (Replacing outdated low-efficiency facilities with new ones)
February-March 2014
<Verified and submitted statement> · Site visit: Korea Foundation for Quality(March 3 to 31: 29 days) Department (7 points), Mart (11 points), Cinema (8 points), Super (21 points) · Submitted statement

Reduction Goals for 2014 by Divisions (Unit: tCO₂)

Year	Expected emissions in 2014	Set by government	Reduction targets
Department Store	414,895	376,742	38,153
Mart	407,858	370,352	37,506
Super	97,038	88,114	8,924
Cinema	67,974	61,723	6,251
Total	987,765	896,931	90,834

Establishing GHG Inventory

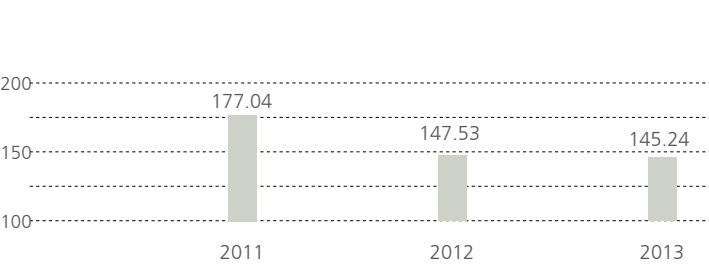
Lotte Shopping has established a greenhouse inventory to identify and mitigate its GHG emissions. GHG inventory is a system that allows a company to identify its direct and indirect source of GHG emissions generated within the defined scope of business activities. For effective management and data calculation,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



Electricity Consumption Reduction

In 2013, Lotte Department Store and Lotte Mart consumed approximately a total of 1,134,878 MWh of electricity. Even though it was somewhat increased from a total of 1,086,653 MWh in 2012, the increase was largely due to the opening of new stores and our actual power consumption per unit area has been mostly declined. Looking ahead, we will save power through various activities such as turning office lights off in lunch time and the necktie-free Cool Biz campaign.

Power Use Compared to Area (Unit: kWh / ㎡)



Lotte Shopping's Power Consumption

	Year	2011	2012	2013
Power consumption	Number of stores	610	1,001	1,272
	Area (㎡)	6,139,762	7,365,411	7,813,981
	Total amount (MWh)	1,086,997	1,086,653	1,134,878
	Use compared to area (kWh / ㎡)	177.04	147.53	145.24

Fuel Usage Reduction

Lotte Shopping mainly uses LNG for cooling and heating system for stores and for cooking purposes for in-house restaurants. The total amount of LNG used at stores of Lotte Department Store and Lotte Mart in 2013 amounted to 3,498 (10000Nm³), decreased by about 3.1% from 2012. LNG use per unit area edged up to 4.48 Nm³/㎡ in 2013 from 4.90 Nm³/㎡ in 2012.

Fuel Consumption per Unit Area (Nm³ / ㎡)



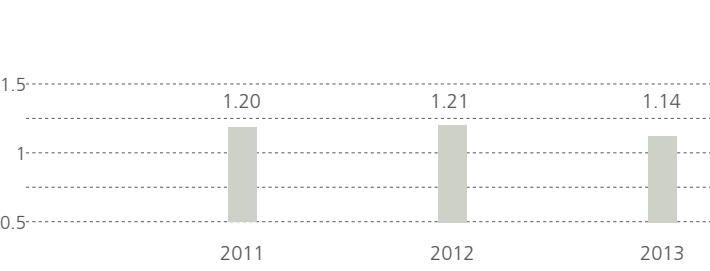
Lotte Shopping's Fuel Consumption

	Year	2011	2012	2013
Fuel consumption	Number of stores	610	1,001	1,272
	Area (㎡)	6,139,762	7,365,411	7,813,981
	Total fuel consumption (10000Nm ³)	3,467	3,609	3,498
	Fuel consumption per unit area (Nm ³ /㎡)	5.65	4.90	4.48

Water Use Reduction

Lotte Shopping's total water use in 2013 amounted to 8,347 thousand tons, representing a 0.6% drop from 8,393 thousand tons in 2012. The use fell despite the openings of new stores and theaters since efforts to save water paid off. 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. Lotte Shopping will make steady efforts to reuse by introducing environment-friendly facilities to reduce its water use.

Running Water Consumption per Unit Area (Unit: l / ㎡)



Lotte Shopping's Use of Running Water

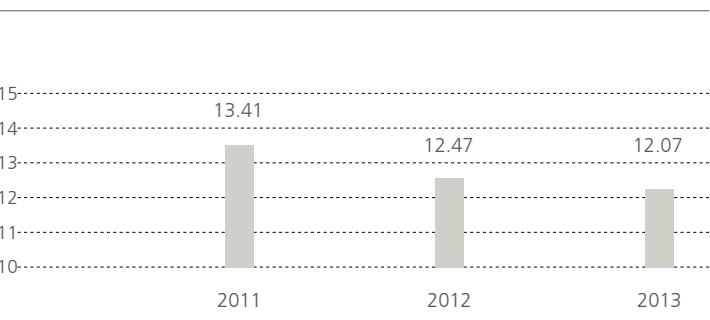
	Year	2011	2012	2013
Use of running water	Number of stores	610	1,001	1,272
	Area (㎡)	6,139,762	7,365,411	7,813,981
	Total running water consumption (thousand tons)	6,895	8,393	8,347
	Running water consumption per unit area (l / ㎡)	1.20	1.21	1.14

Lotte Department Store's Use of Regenerated Water	
	Installed Branches
Graywater treatment facilities (20)	Main Branch, Jamsil, Busan, Daejeon, Pohang, Ulsan, Dongnae, Changwon, Incheon, Jeonju, Mia, Centum City, Gangnam, Yulha Outlet, Cheongryangri, Joongdong, Esiapolis Outlet, Pyeongchon, Gimpo Airport, Suwon Outlet
Groundwater treatment facilities (16)	Jamsil, Yeongdeungpo, Busan, Kwanak, Gwangju, Bundang, Bupyeong, Ilsan, Daejeon, Incheon, Nowon, Anyang, Daegu, Jeonju, Mia, Jungdong
Rainwater storage facilities (10)	Sangin, Gimhae Outlet, Yulha Outlet, Jungdong, Guri, Ansan, Paju Outlet, Pyeongchon, Gimpo Airport, Icheon Outlet

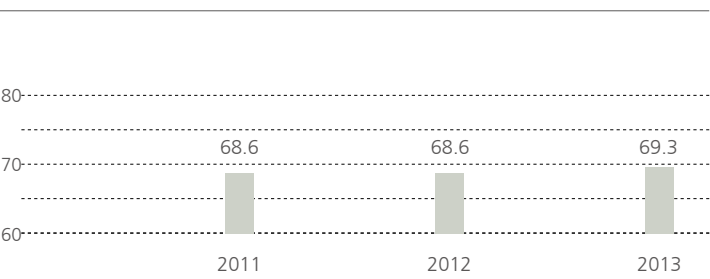
Reduction of Waste Generation

Lotte Shopping's annual waste reached 94,286 tons, an increase of 2.7% from 2012 But waste per unit area has been falling every year. Steady efforts to reduce and recycle waste have been giving rise to higher recycling rates and drops in the portions of incinerated or reclaimed waste every year.

Waste Emissions Compared to Area (Unit: *kg/m²*)



Waste Recycling Rate (Unit: %)



Lotte Shopping's Waste Management				
	Year	2011	2012	2013
Waster	Number of stores	610	1,001	1,272
	Area (<i>m²</i>)	6,139,762	7,365,411	7,813,981
	Waste generated (ton)	82,304	91,847	94,286
	Emissions compared to area (<i>kg/m²</i>)	13.41	12.47	12.07
	Recycling (ton)	56,472	62,972	65,347
	Recycling rate (%)	68.6	68.6	69.3
	Incineration and landfill (ton)	25,832	28,875	28,939

Cost Reduction by Slashing GHG Emissions

The amount of GHG emissions per square meter stood at 104.51 (*kg/m²*) in 2012, but it dropped to 100.14 (*kg/m²*) in 2013. It means that the amount of GHG emissions decreased by 4.37 (*kg/m²*) per square meter. Considering the estimated maximum price of purchasing GHG emission allowance per ton will be KRW 100,000 (KRW 100 per *kg*) once the GHG trading scheme goes into effect, KRW 437 per square meter was saved.

Drop In Environmental Improvement Taxes through Green Store Designation

Under the goal of making all of its stores green, Lotte Shopping is increasing the number of green stores certified by the Ministry of Environment. The Green Store System certifies retail stores which contribute to eco-friendly consumption and distribution through eco-friendly facilities, eco-friendly product sales, and eco-friendly campaigns. This system can reduce the semiannual environmental improvement tax for each designated store by 20%. 75 stores (72 supermarkets and three department stores) out of 146 Lotte Shopping stores were designated as green stores in 2013. As the result of this achievement, Lotte Shopping enjoyed a reduction of KRW 150 million (KRW 50 million for supermarkets and KRW 100 million for department stores) in environmental improvement taxes in the second half of 2013. Lotte Shopping will continue to increase the number of green stores. Once all its stores are designated as green stores, Lotte Shopping is expected to see a drop in its expenses by approximately KRW 500 to 600 million every year.

Reduction in Energy Expenses

The amount of energy used per square meter was 212.16 (kWh/*m²*) in 2012, but it slightly dropped to 207.12 (kWh/*m²*) in 2013. If 5.04 (kWh/*m²*) is multiplied by KRW 471.5(cost of electricity and liquefied natural gases used per square meter), KRW 2376.4 of energy expenses was saved per square meter.

SUSTAINABLE ACTION - TOMORROW

ECO-FRIENDLY ACTIVITIES

With the aim of realizing Green Lotte, Lotte Shopping is performing environmental activities in various fields such as energy and resource saving, environment-friendly logistics and environmental campaigns. The company is contributing to spreading the love of the environment all over society not only through activities to reduce energy and resources consumption and protect the environment but through a wide range of environmental campaigns and events with the participation of customers.

Solar Power Facilities

In the meantime, Lotte Mart has installed solar power plants on the roof of 39 stores nationwide to provide and disseminate new and renewable energy since 2009. With a capacity of a total of 3.7MW, they annually generate about 4,750,000 kW that approximately 1,250 homes can use for one year. Eco-friendly power generation saved the Company 2,081 tons of CO₂, which equals to the effects of planting 720,000 trees. In particular, the facilities block the sun for customers who park their cars on the rooftops of Lotte Mart buildings and inform them of knowledge on solar power generation. We are planning to conduct additional solar power generation projects for distribution centers and new stores in line with the government's renewable energy support policies.



Solar power generation facilities



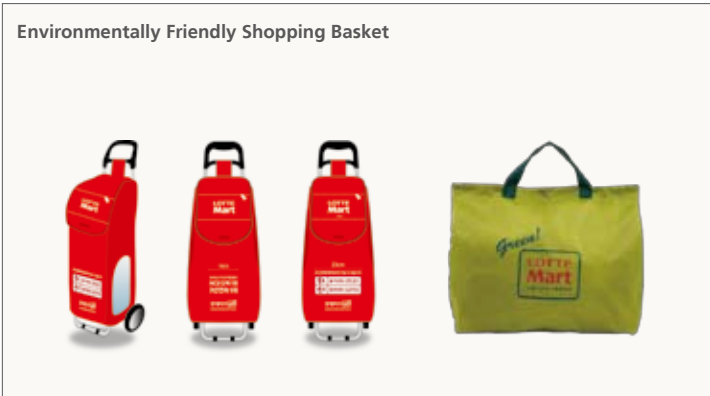
Bulletin board about solar power generation inside store

High-Efficiency Energy Facility

Lotte Department Store reduces 325 tons of CO₂ emissions every year by installing 17,045 high-efficiency LED lamps at Gimhae and Buyeo Outlets that opened in 2013. 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%. Solar power generation facilities and solar power streetlights were installed at Gimhae Outlet, saving the Company 21 tons of CO₂ a year.

Environmentally Friendly Shopping Basket

Lotte Mart planned and is giving away durable shopping baskets and hand carts as eco-friendly activities. The use of eco-friendly shopping baskets and hand carts instead of disposable shopping bags or plastic bags can contribute to reducing disposables and waste and protecting trees. Over the past three years (2010-2013), we gave away approximately two million eco-friendly shopping bags and hand carts as a token of our thanks to customers. As a result, a majority of our customers find put the eco-friendly movement into practice. In 2014, we will raise our status as a eco-friendly businesses by planning approximately 350 thousand eco-friendly gifts.



Eco-Friendly Logistics System

Lotte Mart opened the Lotte Osan Logistics Center in Osan, Gyeonggi-do and the Lotte Gimhae Logistics Center in Gimhae, Gyeongsangnam-do. These openings promoted our environmental management, letting us produce various outcomes.

Warehouse Management System (WMS) with Excellent Accessibility | The establishment of the WMS with excellent accessibility decreases partners' delivery truck operations (from 4,063 to 2,874 trucks), giving rise to a drop in the amount of CO₂ emitted annually by Lotte Shopping by 581,421kg. This system also contributes to shortening delivery waiting time at centers, setting off a decrease in no-load operations, which results in a fall in CO₂ emissions by 842,400kg every year. The opening of the Gimhae Logistics Center in the southern part of Korea has eased the delivery volume of the logistics center in the northern part, shortening the delivery distance (by 8,634km during round trips between 20 stores) and slashing the amount of CO₂ emissions by 246,000kg per month. Lotte Shopping saves 30% of the energy consumed by upper-floor fluorescent lamps by installing windows on the rooftops of each center to allow natural light.

Establishment of TMS & CVO | Through the introduction of the transportation management system (TMS), Lotte Shopping annually reduces the amount of diesel used by delivery trucks by 185,000/ and CO₂ emissions from delivery trucks by 480,000kg. Truck drivers at the Ohsan and Gimhae Centers all participate in ECO Drive pledges and campaigns. Lotte Shopping saves energy and decreases CO₂ emissions by driving trucks at a constant speed through the real-time monitoring of the Commercial Vehicle Operation (CVO) System.

Use of Recyclable Boxes | When operating the Digital Picking System (DPS), Lotte Shopping uses plastic boxes instead of cardboard boxes for deliveries to retail stores. This way saves the Company 300,000 cardboard boxes(510mmx330mmx240mm) every year.
*DPS: An automated logistics system that divides products with excessive quantities into smaller quantities and delivers them to stores.

Introduction of Sugar Content Non-Destructive Saccharometers | To increase customer satisfaction and reduce their partners' expenses, Lotte Shopping has changed saccharometers, used to measure the concentration of sugar in fruits, from sugar content destructive types to sugar content non-destructive ones. As a result, we no longer create fruit waste that used to amount to over KRW 70 million a year.

Deco Market

Deco Market sells decorative items, which were often thrown away, through bazaars. The event was started to raise money to protect the environment and help the poor. With the Happiness Sharing Foundation, the social company of Korea Food for the Hungry International, Lotte Department Store has been conducting Deco Market events since 2008. At an event held for two days (July 18 to 19) in 2013, 1,321 interior items sold during the Christmas season at 30 branches of Lotte Department Store, including desks, storage closets, chairs, and decorations, were sold at 80~90% discounted prices. The total sales of KRW 1.96 million, was donated to children of low-income families. After the event, the remaining items were resold at Happiness Sharing stores, and the sales revenue was used for relief work at home and abroad. Lotte Department Store will continue to hold Deco Market events to save the environment and help people in need.

Eco-Friendly Consumer Festival (Green Card)

Lotte Shopping vigorously participated in the Green Card System to promote eco-friendly products by the Ministry of Environment. Eco-Money points (1% to 7%) were given 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. We actively promoted the event at green stores and major lines of flow by holding the Eco-Friendly Consumer Festival from June 1 to 14 in 2013.



Eco-Friendly Packaging

Since 2008, Lotte Department Store and Lotte Mart entered into a voluntary agreement to reduce promotional packaging with the Ministry of Environment and became actively involved in reducing packaging. According to this agreement, Lotte Shopping removed secondary packaging and distributed packaging guidelines to prevent gift sets sold during national holiday seasons from being overly packaged. In 2011, Lotte Shopping removed all paper bands on fruits based on the green packaging agreement signed with the Ministry of Environment and consumer groups. In 2013, Lotte Shopping was advertised as one of the best retailers in accordance with the result of inspections conducted by consumer groups and the Ministry of Environment. Lotte Shopping has replaced disposable plastic containers used for instant food and meats with biodegradable containers made of corn starch.

Lotte Shopping is using the biodegradable containers for holiday gift sets where disposable plastic containers have been used in large quantities. Instead of disposable plastic jars used for marinated meats and crabs. The Company is using airtight containers commonly used at home in order to promote recycling. Since 2011, Lotte Shopping has been minimizing environmental pollution caused by packaging materials by developing and using paper-type containers for fresh ginseng and dried persimmons where porcelain and wicker trays were mostly used. Since Chuseok Day in 2013, Lotte Shopping has boldly abandoned polystyrene boxes and has adopted recycled papers for marine gift products to expand the use of eco-friendly materials. Thanks to all these contributions to green packaging, we were awarded a commendation from the Minister of Environment for its agricultural product green packaging practices.

Eco-Packaging Examples

Livestock packaging
Using reusable case that does not emit toxic substances when it burns
Fishery product packaging
Using an air layer formed there by making chisel with paper instead of styrofoam
Fruit and vegetable packaging
Simplifying packaging and applying eco-friendly material packaging (All fruit bands were removed)
*Signed “green packaging agreement” with the Ministry of Agriculture, Forestry and Fisheries in September 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. Cool Biz Campaign is the beginning of energy-saving by taking ties and coats off in summer and wearing knit cardigans during winter will reduce cost for cooling and heating. Lotte Department Store has promoted “Cool Biz Fashion Show.” In 2012, we entered into an agreement with Seoul City and have promoted joint campaigns.

Seoul “Lights Off” Day | Lotte Shopping 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 or at night 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.

Energy Day Campaign | On Energy Day (August 22), Lotte Shopping participated in energy-saving events (sponsored by the Ministry of Knowledge Economy and organized by the Korea NGO’s Energy Network every year) to campaign for national energy conservation and prevent electricity consumption from reaching its peak in summer. This campaign consisted of various events, such as “turning off office air-conditioning for 20 minutes,” “increasing office air-conditioning setting temperature by 2°C,” and “turning off all lamps for 5 minutes across the nation.” This campaign is held at Seoul Plaza abutting Seoul City Hall as well as various places across the country. By participating in this campaign, we increase employees’ awareness of energy conservation and take the initiative in protecting the environment and saving energy.

Energy Conservation Campaign In Summer | In the light of a national power supply emergency, Lotte Shopping is campaigning for energy conservation in the summer season. Lotte Shopping encourages its employees to actively implement energy conservation through action items, such as “removing one light bulb per six light bulbs in the office” and “conserving 100W per person (turning off a television, exchanging two light bulbs for two LED bulbs and turning off air-conditioners for half an hour).”

Energy Conservation Campaign In Summer



Green Ecological Park

Lotte Department Store has established a rooftop green space to decrease about 10% of heating and cooling energy consumption for the direct lower floor. In particular, Ilsan, Nowon and Centum City Branches have built ecological parks to fashion perfect nature within the city for saving energy and offering natural shelters for customers. Green ecological parks are currently applied to 18 branches of Lotte Department Store including one at Buyeo Outlet which opened in 2013. They reduce 250 tCO₂ of GHG emissions a year.



Green park on the rooftop of Buyeo Outlet

Lotte Department Store Green, Ecological Parks

Installed stores	
Green Park (15)	Bupyeong, Ulsan, Changwon, Mia, Incheon, Yulha Outlet, Cheongyangni, Gwangbok, Daejeon, Yeongdeungpo, Paju Outlet, Gimpo Airport, Jungdong, Pyeongchon, Buyeo Outlet
Ecological Park (3)	Nowon, Ilsan, Centum City

Eco-Friendly Gifts

Following one of its eco-friendly action items, Lotte Department Store provides eco-friendly gifts in each season. The use of eco-friendly bags can minimize the use of disposable products, cutting down on waste and saving resources. It is meaningful to customers as well since it promotes environmental protection practices. In commemoration of the New Year in January of 2014, Lotte Department Store prepared eco-friendly gifts for customers, and the gifts were 100% cotton bags created in collaboration with famous French illustrator Natalie Lete. By combining the environment and culture, Lotte Department Store was able to create a synergy effect through these bags. A total of 10,000 prepared bags were all given out at 33 Lotte department stores across the nation from January 2 to 5, 2014.

Environmental Art Competition

In its 35th event as of 2014, the Lotte Department Store environment art competition is the industries’ first and largest children and youth art contest. The competition has established itself as our representative environmental campaign, teaching children, the leaders of tomorrow about the importance of nature preservation. Every year at least 10,000 children participate in the contest in eight regions across the nation. A total of 9,942 children participated, making the event successful.

Children's Environmental Art Contest Event



Environmental Doomsday Clock

In September of 2013, an environmental doomsday clock was installed in front of the main branch of Lotte Department Store. This clock aims to raise and promote awareness of the significance of the environment. Lotte Department Store held a ceremony to conserve Mother Nature for generations to come by announcing Korea's environmental doomsday time of 2013 and revealing a renewed ring-shaped environmental doomsday clock.

Time by Environmental Doomsday Clock

2008	2009	2010	2011	2012	2013	2014
9:26	9:51	9:35	9:59	9:32	9:31	9:27

Charlotte Green Dreamers

Charlotte Green Dreamers aims to raise undergraduate green leaders by providing opportunities to engage in environmental activities for undergraduates who are interested in distribution and fashion. For five months from June to October of 2014, 40 selected undergraduates were able to raise their awareness of environmental protection by taking part in various eco-friendly missions, such as presenting distribution-related ideas at work-shops and planting trees at Noeul Park of Eco-Friendly Village Camp.

Charlotte Green Dreamers



Eco Flyer Publication

Lotte Shopping uses eco-friendly paper and flyers printed in soybean ink to minimize environmental impacts caused by the production and distribution of flyers. Lotte Shopping began an online “eco flyer” service for the first time in the industry, lessening carbon emissions. Lotte Shopping decided to stop distributing flyers in December of 2013. Since then, it has not issued any flyers.

Lotte (Lotte Department Store) ECO Flyer



Flyers Published per Year

2012	2013 (January to October)	Change
224 million copies (monthly average of 18.67 million copies)	101 million copies (monthly average of 8.42 million copies)	The number fell by 10.25 million copies a month on average

Use and Effects of Eco Flyers

Number of total users of eco flyers	20,157,841 times
Trees saved	16,126 trees

Performance of Green Purchasing

Lotte Department Store participated in “Green Purchasing Voluntary Agreement” led by 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 purchase by expanding purchases of eco-friendly certified flyer paper, office partners and high efficiency LED lights.

Green Purchases (Unit: KRW 1 million)

Year	2012 (40 stores)	2013 (43 stores)
Amount of money	5,923	5,030

*In 2013, total green purchases fell by 890 million won (15.5%) from the previous year since flyers went digital, slashing flyer paper purchases by 1,320 million (50.4%) from the previous year.

Green Store

Green Store is a program of the Ministry of Environment that designates stores which contribute to slashing GHG emissions, saving energy and spreading green consumption. As of September of 2014, 16 branches of Lotte department stores and 72 Lotte Mart stores were designated green stores. Lotte Mart is operating the largest number of green stores in Korea.



Ceremony to deliver certificate to designate Chungju Branch of Lotte Mart as a green store

Winning Environmental Management Prize

No.1 at Green Rankings by Joong-Ang Ilbo | Green Rankings evaluates the environmental management of Korea's 200 largest companies and announces the results. The rankings are based on the evaluation of disclosed environmental information and performances. Lotte Department Store topped the standings at number one for three years running.

Green Ranking

Year	2011	2012	2013
General standing	16th	10th	10th
Distribution / hotels	1st	1st	1st

Winning Prizes at Green Planet Awards | Lotte Department Store was recognized for its performance gained through its efforts to protect nature and various eco-friendly programs. As a consequence, the Company took home prizes for two consecutive years at the Green Planet Awards of the Korea Green Foundation as one of social companies that distinguish themselves in environmental protection and social contribution.

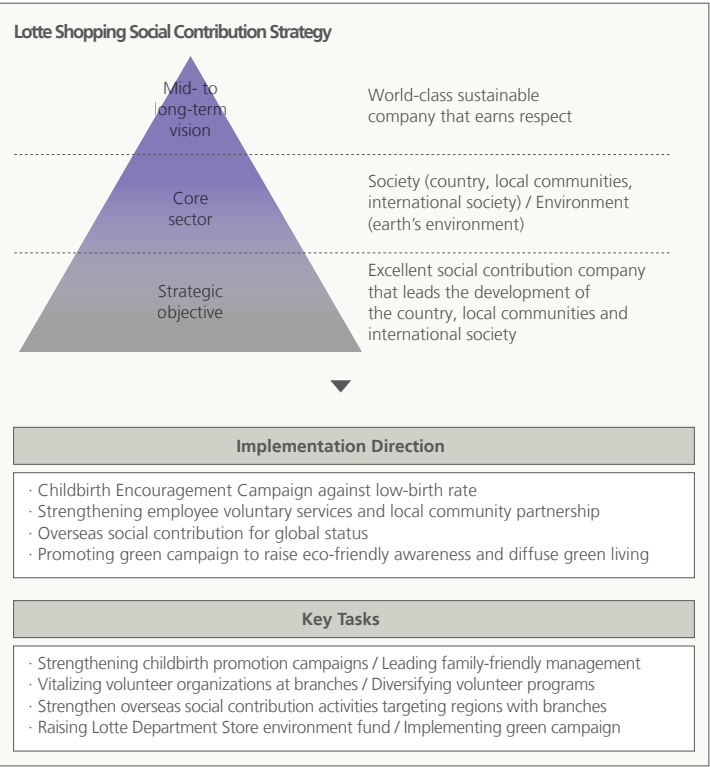


SOCIAL CONTRIBUTION STRATEGY

Lotte Shopping established “A Respected Top Global Sustainability Management Company” as its social contribution vision in order to sincerely fulfill its social responsibilities as a global corporate citizen. We are implementing strategic social contribution activities in the social and environmental sectors with our focus on childbirth promotion, employees’ voluntary work, partnership with local communities, eco-friendly management and overseas social contribution.

Social Contribution Strategy

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





1. Sharing project in Mongolia (planting trees)
2. Sharing Project in Mongolia (medical service)
3. Sharing Project in Mongolia (solar lamp donation)

Sponsorship for Kid Football Program in Vietnam

Lotte Department Store has sponsored making entertainment programs of fostering Vietnam youth soccer players. This is a licensed edition of the Korean TV show “Shootdori” and has aired every year since 2011. The program was named “Lotte Cau thu ti hon” and it was a popular program that was organized by selecting soccer players by auditions and group camps and participating in youth soccer tournaments and visiting Manchester United Team. Government-run VTV3 in Hanoi, Vietnam airs the show and is enhancing the images of Korea and Lotte Shopping in Vietnam.



Supporting Sejong Academy

In 2013, Lotte Mart sponsored the Sungkyun Korean Writing Contest and Sejong Academy in Hue in Vietnam to globalize the Korean language and promote exchanges with Vietnam. With one of the most representative language NGOs, BBB Korea, Lotte Mart contributed to disseminating the Korean language in Hue by providing all expenses needed to run Sejong Academy.



Vietnam Sejong Academy Signboard Hanging Ceremony

Drinking Water Facilities in Vietnam

In July 2014, Lotte Department Store established two rainwater harvesting systems with the treatment capacity of 22 tons in a region near Hanoi in Vietnam. The goal of this event, held together with Korea Green Foundation and Rainwater Research Center of Seoul National University, was to provide drinking water to Vietnam, a country with lots of rain but little drinking water. As the result of this event, 650 students in the village can now drink one to three liters of clean water every day.

The groundbreaking ceremony to build the third Lotte School was held in August 2014. This school is expected to open in May next year. Lotte Department Store will continue to endeavor to promote social welfare in Vietnam.



Lotte Shopping gives a helping hand to the marginalized in our society. The Company implements not only activities in various sectors such as social welfare, culture and local communities but campaigns with the participation of customers. We actively participate in volunteer activities in local communities through the Employee Voluntary Service Corps by stores.

We Start Campaign

Lotte Mart, since 2008, has supported low-income children in conjunction with “We Start Campaign HQ.” We Start Campaign contains the meaning of “We all help children under the poverty to help a new start” and is sponsored by Joong-Ang Ilbo. Its main business is supporting the education of children after school and providing health service placing social workers, nurses, and caregivers after building a center in a poor area. Employees donate small changes from their salaries. The Company donated the same amount through its matching grant program.

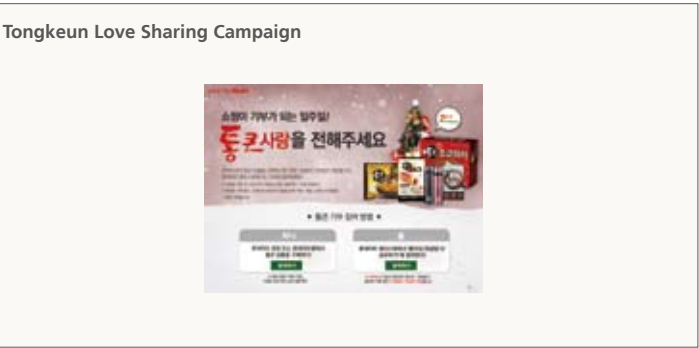
In addition, each employee has donated KRW 1,004 or multiples of the amount a month through the “1004 won Love Sharing Campaign” since late 2009. Happy piggy banks at 86 stores (as of 2013) collect small change donated by customers. The Company delivers the money to the We Start Campaign HQ. In this manner, Lotte Mart, its employees and customers are taking part in social contribution activities and donate upwards of KRW 100 million every year.

Donations via We Start (Unit: KRW 1 million)

	Small coins of salaries	Happy Piggy Bank	1004 Won Love Sharing Campaign	Total	Media coverage
2012	51 (6,953 people)	30	20	101	December 27 Joong-Ang Ilbo
2013	60 (5,035 people)	30	48	138	December 27 Joong-Ang Ilbo

Tongkeun Love Sharing Campaign

Lotte Mart held a campaign called “Tongkeun Love Sharing” in connection with “Tongkeun Goods, its representative PB products for one week in December 2013. The campaign accumulated a donation of KRW 100 whenever a customer purchased one Tongkeun product and the same amount per reply on Lotte Mart’s Facebook. A total of KRW 20 million won was accumulated during the campaign and was delivered to Korea National Council on Social Welfare to support the education and lives of marginalized children.



Childbirth Encouragement Campaign

Since May 2011, as part of childbirth encouragement campaign, Lotte Department Store has operated for pregnant women who can visit the care service “Happy Mom’s Room.” The event bus offered a shelter for working moms and free health check services in Yeouido, Myeong-dong and Gangnam during weekdays. In 2013, we along with the Ministry of Health and Welfare has participated in “Be the Mother” Campaign by providing special lectures for couples and organizing “Mother Festival,” a grand childbirth encouragement festival.

Cultural Center Service

Lotte Mart is operating cultural centers at 53 branches nationwide and gives various education programs to 57 million people per year. The Company will expand the cultural center business to facilitate access to various cultural contents in areas that lack cultural programs in the future. Hobby and certification lectures will be expanded to proved new opportunities to learn for elderly people.

Programs for Various Age Groups | We operate a number of courses for a variety of age groups from mothers and their children to senior citizens. Participatory events, performances and hobby classes such as art and music and health programs are enriching local residents’ lives.

Lectures for Fathers and Their Kids | The Lotte Mart Cultural Center had many programs for mothers and their children. Of late, programs for fathers and their children have increased. It is not rare to see fathers play with their children at the center on weekends. Children play board games and make cookies with their fathers, establishing a rapport with them. Such changes and programs at the center are easing burdens of fathers who did not know how to play with their children.

Lotte Mart’s Cultural Centers

year	No. of cultural centers	No. of courses	No. of members
2009	39	53,592	382,966
2010	48	66,469	414,738
2011	50	74,661	524,381
2012	50	74,906	525,308
2013	53	75,320	573,521

Coexistence Program with Traditional Market

Lotte Department Store is carrying out win-win growth project to increase the competitiveness of traditional markets and vitalize local economy. Regulations on distribution companies began and kindled social conflicts within the distribution industry. The conflicts include lawsuits against the regulations, farmers’, fishers’, small companies’ and merchants’ opposition against them and new laws proposed by lawmakers due to the requests of traditional markets and small store owners. They are expanding. Under these circumstance, we are endeavoring to show our sincerity for mutual growth and further develop the distribution industry through self-regulatory shared growth projects.

Implementation Plan | Lotte Mart is planning to establish sisterhood ties with traditional markets. In 2014, as the first step, 18 Lotte Mart stores are scheduled to establish sisterhood ties with 12 municipalities and 15 traditional markets. After communicating and form a consensus via the Win-Win Growth Committee, we will undertake a full-fledged mutual activity in June 2014 and carry out various projects such as matters chosen by the committee and shred growth programs.

Major win-win cooperation program

1. Co-marketing: customer pulling in customers for the traditional market sales promotions support enabled, coupon-Vouchers presented in traditional marketing techniques such as leveraging market earlier, joint events outside or inside of idle space within the store, traditional market selling event sponsored marketplaces, shops duty specify the day of the holiday tradition use-promoting market

2. Training-Consulting: service, hygiene, safety inspections and education consulting small business support

3. Equipment and Facilities-Financial support: aging signs, lighting, furniture and other facilities to improve support, small merchants linked low-interest loans targeted financial support Lotte smile

4. The Community contribution: Happy Dream Corps activities associated traditional market, municipalities and deployment of sharing activities, staffing the store during the traditional market traders and local residents first adopted family, low-income scholarships, etc.

Future Expansion Plan | We are planning to consider expanding the program into all of our stores after checking the effectiveness of the project with the 15 markets. Looking ahead, Lotte Mart will expand the win-win growth project by building trust based on communication for the win-win growth of big and small enterprises and reinforcing partnership.

Love for Country Bazaar

Lotte Department Store held “Love for Country Bazaar” in conjunction with the Ministry of Patriots and Veterans Affairs in June 2013. The event ran at all branches for ten days. 100 million won in donations were delivered to the Ministry of Patriots and Veterans Affairs and bereaved families of soldiers and police officers. The highlights were the sale of special products and giving discounts and gifts to independence fighters, war veterans and patriots. About 400 people including politicians, entertainers and customers took part in the sale of donated products and generated profits of over ten million won, all of which was donated. Patriotic badges were granted to 5,600 people with gifts as an event to send messages of peace in partnership with the Patriotic Big Tree Foundation. Besides, we held vari-

ous events and gift promotions for discharged soldiers such as “Creating Jobs for Discharged Soldiers” which gave Lotte gift certificates to customers who recommended decent jobs to them.



Patriot Ahn Jung-Geun History Tour

Lotte Department Store annually donates sponsorship funds to Patriot Ahn Jung-Geun History Tour in conjunction with the Patriot Ahn Jung-geun Memorial Foundation. The tour program takes students and a professor to the historic sites of independence movements involving patriot Ahn and shed new lights on his life, activities and spirit. Thus, the program permits them to learn historical lessons at the sites and they inform people of them. Also in July 2013, students and a professor left Seoul and flew into Vladivostok, Russia and China for a nine-day trip. They visited patriot Ahn's historic sites and inculcated patriotism in themselves.

Employee Voluntary Service Corps

A total of 1,403 members belong to 42 Employee Voluntary Service Corps at branches of Lotte Department Store across the country. They are involved in various voluntary activities. The Company grants supporting funds to each branch and corps in an effort to promote their voluntary work. The supporting funds added up to KRW 140 million in 2013.

Support for Employee Voluntary Service Corps

	Time	Highlights
Supporting funds	Once a month	Up to 500,000 won per one group
Designated as certification center	-	The Company was designated as a voluntary work certification center by the chairman of the Korea Council of Social Welfare: Managing certification of voluntary work, building DB and issuing certificates.

SUSTAINABLE ACTION - TOMORROW

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.

Customer-Oriented Product Development

Opened and multi-processes are being run to allow Lotte Mart to quickly identify and provide what customers want. Open-innovation means developing the core competences on assets and securing outside new ideas, technologies and processes. Multi-innovation is a comprehensive innovative activity throughout planning, manufacturing and verification.

Open Innovation Process

Selection of items to develop	Consumer research	Product planning	Production planning
Seller-oriented - MDs' and producers' ideas		Customer's perspective - Customer's participation (open ideas) : Consumer panel, Blog	
Step-by-step R & D - After sourcing hour (our exclusive) consultation with manufacturers		One-stop R&D - Manufacturers' participation in sourcing hour	
<ul style="list-style-type: none">• Discover value elements• Determine optimal specification• Minimize risk			

Multi-Innovation Process

Planning	Linked with external experts/organizations > new value creation	
Manufacturing	Introducing new manufacturing methods > adding differentiating elements	
Verification	Online/offline expansion > Facebook fan	
Release	Customer satisfaction	
Competition of ideas from academia and research labs	Handmade Jajang noodle technique > Better flavor and texture ↑ / lower costs ↓	SNS* Applications > real-time customer verification

* SNS: Social Networking Service

Lotte Shopping spares no support to reinforce the specialties of CMDs and MDs through various and specialized education for the purpose of take the lead in trends and cater to customer needs. Lotte Department Store gives practical education to new CMDs and MDs to help them accommodate themselves to the Product Division. Moreover, they learn product trends and relevant knowledge as well as practical contents through a three-step course. Consequently, the course empowers them to understand their product groups better and develop their specialties to suggest a new perspective. The course consists of three stages. The first step is to provide two-day education to help new CMDs and MDs adapt to their work. They learn practical work such as work procedures at

the Product Division and fundamental knowledge such as fair trade, the Win-Win Growth System and information protection in the first stage. In the second stage, they acquire specialized MD knowledge by product groups. The second stage has a grocery class, a food class and an electric home appliance class and teaches the latest trends in each product group and marketing strategies. MD Academy is held five times (once a week) and lasts for three hours. The program covers a total of ten different subjects including “Distribution and Consumption Trends,” “Practical Buying Process,” and “Brand Management.”

MD Academy's Curricula

	Educational contents
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

The third and final stage (MD Master Course) enhances the specialties of 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. This course was upgraded with the addition of “Successful Brand Development Cases” and “Negotiation Specialist Course.”

Activities of MD Academy

	Period	No. of students
1st class	2008.12.04~2009.01.29	45
2nd class	2009.06.11~2009.08.06	61
3rd class	2009.12.01~2010.01.26	50
4th class	2010.05.26~2010.07.28	36
5th class	2012.04.24~2012.07.02	40
6th class	2013.04.16~2013.05.15	38
Total		270



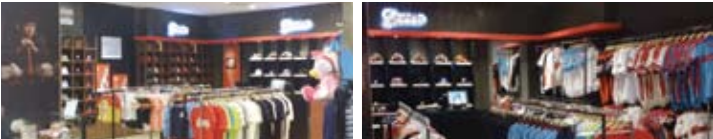
MD Academy Operation

Local Product Development and Distribution

Lotte Department Store strives to provide the best products for customers by developing local fresh foods that are fresher and safer and administrat-ing strict product management.

As part of such efforts, we signed an MOU with Gochang in September 2011 and later local governments in other regions. Since then, we have launched various local specialties. The Company sells watermelons, wild strawberries, potatoes and corn from Gochang famous for its watermelons and is expanding the amount of products from Gochang. In June 2013, Lotte Department Store held the Best Gochang Watermelon Contest in connection with Gochang County. From June to August 2013, the Com-pany held Gochang Local Food Fair & Farming Products by Those Who Returned to Farming which reflected recent trends. Moreover, our consul-tations with Sancheong County led to an improvement in distribution and packaging and a steady rise in sales.

In December of 2012, we signed an MOU with Ulleung County to vitalize agricultural, stock farm and fishery products sales. This agreement allowed us to present a variety of local specialties from Ulleung County and Pohang Branch and Busan Headquarters to hold Ulleung Clean Zone Specialties Event from March to April in 2013. We sold Ulleungdo specialties such as Myeo-ngi Namul (allium microdictyon prokh), Deodeok (codonopsis lanceolata), Hobakyeot (Korean Pumpkin malt candy), Usangorosoi (acer okamotoanum) and Dokdo Islets T-shirts. The sale of the Ulleungdo specialties was paral-eled by the Ulleungdo Twist Contest, Ulleungdo Photo Show and making Ulleungdo stamps. In addition, we have been actively developing local com-modities since establishing business ties with the NACF in February 2013. The consigned management of Gangnam, Yeongdeungpo and Incheon Branches of Lotte Department Store promoted the direct sale of excellent agricultural products and contributed to decreasing distribution stages and stabilizing prices. Systems were reinforced to help farmers increase their income and provide reasonably priced eco-friendly healthy food to con-sumers. In April 2013, the eco-brand “Purum” introduced the Local Food System that delivers local products on the very day an order is placed, fa-cilitating access to fresh vegetables.



Lotte Department Store Giants Shop (Gwnagbok Branch)

Development of Locally Specialized Branches

Local baseball marketing is most active at Lotte Department Store’s branch-es in Busan. The Company helps Busan and other local baseball fans enjoy baseball more excitingly and happily by opening Lotte Giants Shops at Main Branch and Centum City Branch in Busan for the baseball season every year. In addition, we are actively publicizing Busan as an exciting and passionate city in conjunction with local organizations in Busan. Lotte Department Store Outlet’s East Busan Branch scheduled to open in 2014 will share ideas about its win-win growth with local communities and strive to establish a shared growth culture such as favoring local fashion brands over others in allowing their shops to open at the branch.

Promotion of Goods from Gaeseong Industrial Complex

The first half of 2013 saw the Gaeseong Industrial Complex shut down and the transportation of products and materials delayed by North Korea. This problem increased economic burdens on small South Korean companies in the complex and impeded the distribution and sale of their finished prod-ucts. By banding with the Ministry of Trade, Industry and Energy, Lotte Mart held a special event to sell quality products from the Gaeseong Industrial Complex. The event ran at key stores (Jamsil, Guli, Junggye, Uiwang, Ansan Branches) in the Seoul Metropolitan Area for two weeks from August 29. The event was powered by active marketing such as flyer publication, text messages and press releases and posted about KRW 200 million in sales.



Promotion of Excellent Goods from Gaeseong Industrial Complex

Special Event to Promote Remanufacturing Industry

Lotte Mart held a special event to foster the remanufacturing industry which is environmentally friendly and good at creating jobs in conjunction with the Ministry of Trade, Industry and Energy in May 2013. The two-week event at Jamsil and Guro Branches expanded sales channels for two toner cartridges remanufactures and enhanced their brands, resulting in KRW 40 million in sales.



Special event to promote remanufacturing industry

Severely Disabled People’s Product Special Promotion

On April 20, 2014, to commemorate Disabled People Day, we held the Se-verely Disabled People’s Product Special Promotion to increase the competi-tiveness of small companies that employ the disabled (social companies) in partnership with the Lotte Welfare Foundation, the Department of Health and Welfare and the KAVRD. The event ran at three branches in the Seoul Metropolitan Area for one week with a view to developing new sales chan-nels and enhancing their brands. 25 companies took part in the event and inked KRW 12 million in sales.

SUSTAINABLE ACTION - TOMORROW

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 the food supply chain, from the produc-tion of raw materials to production, processing, storage and distribution, to the end point of 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. We are reinforcing self-regulatory management and expanding certified stores to lead a safe food culture step by step.

Korean Beef Production History System

The Korean Beef Production History System manages information about the whole process from slaughter, processing and sale by attaching ear-marks 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 produc-tion to distribution since May 2008. Therefore, customers do not need to worry about the safety of beef at our stores.

Food Hygiene Management

Lotte Department Store operates various product safety programs through hygiene inspection and management policies. Hygiene inspection was ex-ecuted by internal auditors and the Lotte Group Safety Center. Self-inspec-tion is organized by quality auditors at stores. The Company steadily carries out management and education. Inspections by the Lotte Group Safety Center are dived into regular inspections and planned inspections. Regular inspections are based on six hygiene inspection items (labeling standards, storage handling, cleaning and disinfection, facility standards, personal hygiene, and legal documents). Planned inspections target drinking water, edible ice and seasonal food.

Our product tests and analyses are ruling out any chance of unsafe food. Stores themselves test and analyze products through on-the-spot bacte-riological examinations and measurement of the acidity of dairy products. The Lotte Group Safety Center conducts tests such as food poisoning bac-teria tests, beef DNA tests and hazardous ingredient tests.

Summer Hygiene Management

Lotte Shopping strengthens inspections of hygiene management in sum-mertime with high risk of food poisoning. In the summer period (May to September), foods with big food poisoning risks are not sold or they are sold for limited time only. This method precludes future problems after customers’ purchase. In addition, mock drills against customer complaints

bring about a process to quickly cope with food hygiene-related accidents. Lotte Shopping plans to steadily expand its hygiene management programs in the future. In particular, our information sharing with the Lotte Group Safety Center will make our hygiene management immaculate, bringing safer foods to our customers.

Strengthening Summer Hygiene Management

Extension of Summer Hygiene Management Period to cope with abnormally high temperature in April and expansion of sub-tropical climate in Korea: + 2 months (May to Aug. (2013) / Apr. to Sep. (2014))	
Hired 27 specialized food quality auditors (2013)	
Strengthen Product Division MDs’ and CMDs’ management of hygiene at food departments, F&B corners at outlets and restaurants	
Obligatory specialized hygiene education for Product Division staff and store managers	
Run TF teams and hold meetings at stores: Conduct inspection of all products	
Establish detailed new hygiene management standard on personal and facility hygiene, intensive management by PCs, hygiene ISP guideline and others	
Details	Ban sale of items susceptible to food poisoning in summer (10 items)
	Selection of products for special management: Instant foods, food popular in summer and processed foods that can become easily rotten such as processed fish and meat
	Selection of items to move up their expiration dates
	Standards on sale of take-out products: Use ice packs

Hygiene Professional Education in 2013

Date	Education name	No. of students	Contents
Jan. 25	Introductory specialist education (primary)	10	· Need for food safety management · Food safety management regulations (Including amendments)
Feb. 22	Department store expert (quality auditor) education	28	
Apr. 19	Introductory specialist education (2nd)	28	
Aug. 23	Introductory experts education (3rd)	30	
Oct. 25	Introductory specialist education (4th)	25	
Total		121	



Hygiene Professional Education



Hygiene Professional Education

Seafood Origin Identification System

Lotte Department Store built the Country of Origin System for fishery and processed fishery products with the Lotte Central Research Center for the first time in the domestic distribution industry to promote the consumption of marine products. The measure was designed to dispel anxiety triggered by the radiation situation in Japan. In particular, techniques for genetic identification to find out the country of origin were transferred to Lotte by way of an agreement between the Lotte Central Research Center and the National Fisheries Research and Development Institute. This is quite meaningful in that the agreement was the first MOU signed between a large distribution company and a government-run research institute. This agreement covers joint research and HR exchanges as well as genetic identification techniques. The cream of the crop in this deal is that the Company created a safe distribution environment by securing genetic maps on most fishery products distributed in Korea. In particular, pilot sample tests proved

three popular items of hairtails, tilefish, and abalones safe and domestically caught. We will continue to ask the Lotte Central Research Center to check marine products’ countries of origins. Our efforts will be steadily made to ensure the reliability of fishery products now that changes in food trends such as healing and camping foods fuel demand for safe foods every year.

Quality Auditor System

Lotte Department Store is managing the Quality Auditor System to improve food safety and customer service. In 2003, the Company introduced the system with quality auditors, most of whom worked in the food sector or majored in food engineering for the first time in Korea. Now, 32 are active as quality auditors. Among them, 18 have hygienist licenses. Their major duties are checks on hygiene management and product information (including countries of origins), requests for tests and analyses in connection with Lotte Group Safety Center, test analyses (bacteriological examinations and pesticide tests), store hygiene Education (colleagues and managers). In particular, quality auditors diagnose problems at their worksites in conjunction with the Lotte Group Safety Center and make feedback to solve them. They are committed to sharing information on revised laws and regulations and immediately applying them to their work. We will spare no efforts to realize the professional and effective management of food hygiene such as education for quality auditors by external experts.

SUSTAINABLE ACTION - TOMORROW

ONLINE BUSINESS

Changing customer lifestyles and buying patterns has inspired Lotte Shopping to expand its mobile business. Lotte Mart and Lotte Super are increasing convenience for customers by enhancing the mobile business.

Lotte Shopping App Leading Mobile Market

Lotte Super launched a mobile application for internet shopping in March 2013. Smartphone users can enjoy shopping via this app regardless of time and places. We paid much attention to its composition to minimize inconvenience in ordering and paying. Utilizing the location based service, the app automatically searches nearby stores to place orders and receive products.

Lotte Department Store launched an integrated app in March 2012 after distributing mobile digital flyers in June 2010 for the first time in the distribution industry. In 2014, our endeavors are made to expand “Smart Coupon Book” which will be vital to our flyer and DM sector. At the moment, the coupon book can be used only at the main branch and Jamsil Branch and will expand to all branches.

SNS-Based Communications with Customers

SNS channels are facilitating communication between Lotte Department Store and customers. At the moment, 100,000 facebook fans and 60,000 twitter followers are receiving shopping and event information in real time. We get closer to our customers through two-way communication such as “Brain Workout” and “I Am Fashion MD.” We have the largest number of Kakao Talk Plus friends (1.2 million) in the distribution industry. They receive mobile messages on hot deals through Kakao Talk Plus that connects the online and offline world. Segmented information is sent to customers via blogs such as Shopaholic and Lotte Mom’s Diary. Shopaholic deals with fashion and beauty information for those in 20s and 30s. Lotte Mom’s Diary provides specific information about pregnancy, childbirth and child care. Of late, we launched services via Pinterest, a social curation service and Line, a global mobile messenger service, expanding communication channels with youths. Lotte Shopping is planning to give a boost to its communication with customers through SNS service and participatory events.

COMMUNITY COOPERATION-BASED PRODUCTS

Lotte Shopping’s collaboration with local communities and small businesses actively covers product development and store composition. Compilation shops are run to discover and nurture new designer brands. The Company gives online and street brands opportunities to grow. Moreover, we will continue to put forth effort for the development of local communities such as local specialty stores.

Daily Compilation Shop “Bag’n Bag”

Lotte Department Store founded and is operating “Bag’n Bag”, a handbag compilation shop, to discover and foster domestic brand designer handbags.16 Bag’n Bag stores deal in numerous new designer brands across the nation. Bag’n Bag paved the way for the distribution of new designer bags through department stores. Bag’n Bag is quite meaningful in that competition in good faith enhanced product qualities and finally paid off handsomely. The Bag’n Bag project is not a one-time event and expands stores, helping products adapt to various markets and go through market tests. It also helps brands develop products. Bag’n Bag stores offer quality designer handbags at reasonable prices compared to existing other handbag brands. Accordingly, they are cementing their positions as popular stores with reasonably-priced quality products. Specifically in 2013, some major brands of Bag’n Bag pulled off a feat in opening mono shops at department stores, which has been enhancing their brand power. Through Bag’n Bag, we will introduce new brands three to four times per year on average and provide the best products for customers through tests and development.



Bag'n Bag store

Accessory Brand Shop “ACC BLOOM”

Accessory Bloom is a compilation shop with products of street and online designer brands. Lotte Department Store is actively introducing famous designer brands at road shops in Shinsa-dong and Dongdaemun and at on-line malls to reflect the latest trends and secure accessories that customers want. In 2013, the Company discovered new companies through various fairs such as Hong Kong International Jewellery & Accessories Exhibition and budding designers & fashion retailer fairs. The Company exerts itself to introduce popular brands such as expanding market research in hot spots in Korea. Accessory Bloom gives pleasure through differentiated design and events while gaining great popularity among young customers who visit its stores. Besides, we are constantly introducing designer brands and cogitating upon expanding branches into overseas countries in the future. Accessory Bloom sincerely serves as a gateway to success and an incubator for new accessory brands and will grow into a win-win compilation shop.

Local Specialty Store

Lotte Department Store is expanding local specialty stores by opening them in Paju Premium Outlet in December 2012 and Gimhae, Buyeo and Icheon Branches of Outlets in 2013. Local specialty stores were pushed forward with by the Food MD Team of the Product Division. They sell local foods only and develop new markets for local foods. As stores not only with live-stock, agricultural, processed food but with a local culture, they are contributing to our running differentiated stores. Moreover, they are receiving good responses since they sell products for local farmers and offer local farming products at reasonable prices. They supply local foods to consumers by solving the long distance problem of local food direct sale centers. Accordingly, they increase customer convenience and profits for farmers, emerging as a win-win growth model with local farming families.

The concept of interior work for the store was based on traditional markets, resulting in the development of a new environmental manual. The manual allowed us to jazz up the store. We effectively delivers the freshness of local food while giving pleasant experiences through interior designs tailored to product groups and props for products. In addition, in order to maximize the features of the local specialty store, we guarantee the qualities of local agricultural specialties by selling producers with their producers’ names and photos to deter consumers from worrying about their qualities. Detailed information about agricultural products gives consumers convenience, satisfying them as well. Our efforts help create a positive image for the win-win growth store. We also making endeavors to bring more quality products, helping the shop build a unique identity.



Local Specialty Store at Icheon Outlet

Product-Related Award in 2013

We are committed to consistently offering excellent products only such as adopting strict standards for customer satisfaction and health, discovering goods for local development and environment. These efforts were rewarded with many prizes in 2013, allowing Lotte Shopping to cement its position as a global distribution player.

Prizes for fostering local companies from security and public administration minister
→ Fostering socio-economic enterprises and maintaining mutual cooperation relations through regular events with external organizations

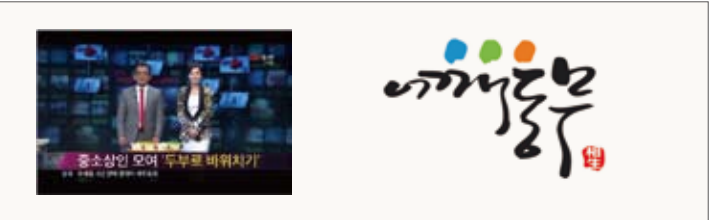
Prize for green packaging from environment minister
→ Actively participating in agreement to reduce excessive packaging
→ Expanding scope of eco-friendly packaging to whole fresh foods and taking part in simplifying product packaging

Prize for self-regulatory food nutrition labeling at food court from health and welfare minister
→ Recognition of contribution to promoting health through self-regulatory food nutrition labeling at food court
→ Encouraging food shops to develop healthy menus with reduced salt and sugar



Development “Eokedongmu” Tofu

Lotte Mart established and is supporting Eokedongmu Cooperative to enhance the competitiveness of SMEs in the Tofu market. Eokedongmu means putting arms around each other's shoulders in Korean. The cooperative was founded by seven companies – three small tofu manufacturers, two tofu material suppliers, one packaging equipment producer and one film producer. Lotte Mart helped the cooperative to expand sales channels into other large store chains. As a result, sales of tofu of large companies dropped but Eokedongmu enjoyed an increase in their tofu sales. Lotte Mart will make steady efforts to help small companies increase their competitiveness such as expanding support for Eokedongmu to cover not only tofu but rise wine and frying pans and creating the Special Eokedongmu Zone.



SUSTAINABLE ACTION - TOMORROW

ACHIEVEMENTS BY KEY ISSUES

Achievements by Key Environmental Issues				Related sales / amounts of reductions (Unit: KRW 1 million)	
	Key Issues	Activities	Major Achievements	2012	2013
Generating Profits	Eco-friendly products	Eco shop operation	Donating all profits from Eco Shop (eco-friendly compilation shop) to environmental fund	375	587
		Expansion of eco-friendly products	Eco-friendly professional brands such as Orga and Purum	43,800	44,900
		Renewable energy facilities	Mart: Sales of certified eco-friendly products	159,700	165,300
		Reusable bags	Mart: Selling power from solar power production facilities to Korea Electric Power Corporation	2,300	2,200
			Mart: Sale of reusable shopping bags	7,590	8,080
Reducing Costs	Eco-friendly stores	Reduction of greenhouse gas emissions	Department Store / Mart: Emission reduction via GHG emission target management system	1,500	1,540
		Reduction of energy use	Department Store / Mart: Reduction of energy use through steady campaigns	8,200	8,400
		LED lighting	Department Store: Installing 12,870 high-efficiency LED lights / Mart: Installing 2,610 high-efficiency LED lights	93	1,730

Achievements by Key Social Issues				Related sales / amounts of reductions (Unit: KRW 1 million)	
				2012	2013
Generating Profits	Support for small and mid-sized partners	Support for fostering new designers	Department Store: Operating new brand incubating compilation shop “The Wave”	830	3,580
		Developing win-win growth brand	Mart: Developing and supporting MPB products by discovering small and mid-sized manufacturers	67,600	66,100
		Special Shop for Healing	Department Store: Special Shop for Healing	-	330

Stakeholder Sustainability Survey

Conducting Stakeholder Survey

Lotte Shopping conducted a survey to collect stakeholders’ opinions about its sustainability management to reflect the results in the sustainability report. 2,666 stakeholders participated in the online survey. As a result, the most important issue regarding the sustainability management of Lotte Shopping was customer satisfaction, followed by ethical management, anti-corruption activities, HR development and the development of employees’ capabilities.

Correlation between Sustainability Management and Brand Awareness

Analysis of the correlation between corporate sustainability management and brand awareness, 63% of the respondents said that the brand image was improved through sustainability management while only 6% said that it was not. The results illustrate that many stakeholders were recognizing sustainable management as a very important matter. The results illustrate that the importance of sustainability management for the stakeholders was increased every year. Meanwhile, 66% said that Lotte Shopping was active about sustainability management activities whereas 10% 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

Stakeholders	No. of participants	Ratio
Customers	551	20.67%
Employees	1774	66.54%
Shareholders	11	0.41%
Investors	7	0.26%
Partners	199	7.46%
Local residents	50	1.88%
Government officials	7	0.26%
Research institutes and academia	2	0.08%
NGO	28	1.05%
Consulting firms	4	0.15%
Media	2	0.08%
Management staff	9	0.34%
Others	22	0.83%
Total	2,666	100.00%

Evaluation of Sustainability Management and Issues by Sectors (Unit: %)

	Good	Average	Bad
Spreading environmental values	58	32	10
Win-win growth	60	27	12
Social contribution activities	54	31	14
Employee welfare	43	29	27
Ethical management	65	25	11
Customer satisfaction service	69	23	8

Change in Sustainability Management’s Impact on Brand Image

1. Taking lead in diffusing environmental values	Total	Ratio
Excellent	690	26%
Good	858	32%
Average	840	32%
Bad	226	8%
Very bad	52	2%
Total	2666	100%
2. Vigorously conducting social contribution activities		
Excellent	639	24%
Good	813	30%
Average	836	31%
Bad	301	11%
Very bad	76	3%
Total	2665	100%
3. Fulfilling legal responsibilities and implementing ethical management		
Excellent	815	31%
Good	909	34%
Average	655	25%
Bad	210	8%
Very bad	77	3%
Total	2666	100%
4. Making efforts for win-win growth while valuing partners		
Excellent	767	29%
Good	841	32%
Average	729	27%
Bad	256	10%
Very bad	73	3%
Total	2666	100%
5. Motivating employees to work happily and record excellent achievements		
Excellent	553	21%
Good	603	23%
Average	783	29%
Bad	437	16%
Very bad	290	11%
Total	2666	100%
6. Upgrading services and offering good products for customer satisfaction		
Excellent	842	32%
Good	992	37%
Average	625	23%
Bad	162	6%
Very bad	44	2%
Total	2665	100%

GHG and Energy Objective Management Audit Statement

The Korea Standards Association was requested by Lotte Shopping to conduct the verification of Lotte Shopping’s 2013 GHG and energy objective management audit statement in accordance with the Guidelines of GHG and Energy Objective Management at a reasonable level of assurance.

1. Audit Target

- The audit verified the 2013 GHG emissions and energy use statement on emitting facilities within worksites of Lotte Shopping.

2. Audit Criteria

- The verification was conducted in pursuant to the guidelines of GHG and Energy Objective Management(MOE Notice No. 2012-211) and KS A/ISO 14064-1.3 and IPCC Guideline: 1996/2006.

4. 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 reflecting 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, 2014

Verification Organization: The Korea Standards Association

Chairperson: Kim Chan-yong



Assurance Statement

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 2014 (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

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’s 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.

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 measures the materiality of its sustainability related issues. We have reviewed internal 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 thereof:
- Identify mid/long-term quantitative performance targets for LOTTE’s sustainability management and suggest yearly progress in the report
 - Develop a more direct and essential approach to measure sustainability performance for a better internal progress monitoring across all business units
 - 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
 - Implement corporate-level sustainability strategies 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 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.

July 11, 2014
Andy Gebhardt Director



SolAbility Ltd. is a Sustainability Advisory exclusively specialised in corporate sustainability management services for corporate clients with offices 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.



Principle						Page
Human Rights	1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Code of Ethics	Article 10 in Chapter 4	Honored	28~29
	2	make sure that they are not complicit in human rights abuses.	Code of Ethics	Article 17 in Chapter 6	Sound corporate activities	28~29
Labor	3	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	53
	4	the elimination of all forms of forced and compulsory labor;	Code of Ethics	Article 10 in Chapter 4	Honored	53
	5	the effective abolition of child labor; and	Code of Ethics	Article 10 in Chapter 4	Honored	28~29
	6	the elimination of discrimination in respect of employment and occupation.	Recruitment Regulation	Article 4 in Chapter 1	Equal treatment	52
Environment	7	Businesses should support a precautionary approach to environmental challenges;	Code of Ethics	Article 19 in Chapter 6	Eco-friendly	66~77
	8	undertake initiatives to promote greater environmental responsibility; and	Code of Ethics	Article 19 in Chapter 6	Eco-friendly	66~77
Anti-Corruption	9	encourage the development and diffusion of environmentally friendly technologies.	Code of Ethics	Article 19 in Chapter 6	Eco-friendly	66~77
	10	Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Ethics	Article 17 in Chapter 6	Sound corporate activities	28~29

GRI G4 Index

●: Reported ●: Partially reported ○: Not reported N/A: Not applicable				
Aspect	No.	Indicator	Reporting Level	Page
General Standard Disclosures				
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, 25
	G4-2	Description of key impacts, risks, and opportunities	●	14~15
Organizational Profile	G4-3	Name of the organization	●	6
	G4-4	Primary brands, products, and services	●	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 relevant to the sustainability topics in the report	●	9
	G4-7	Nature of ownership and legal form	●	6~7, 26~27
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	6~7
	G4-9	Scale of the organization, including: total number of employees, total number of operation, total capitalization, Quantity of products or services provided etc.	●	6~7, 19
	G4-10	a. Total number of employees by employment contract and gender 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 by individuals 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)	●	51
	G4-11	Percentage of total employees covered by collective bargaining agreements	●	52
	G4-12	Organization's supply chain	●	49
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or supply chain. , including:	N/A	-	
G4-14	Whether and how the precautionary approach or principle is addressed.	●	28	
G4-15	List of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	●	28, 37, 40, 67, 68	
G4-16	List of memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	●	78~83	

GRI G4 Index

●: Reported ●: Partially reported ○: Not reported N/A: Not applicable				
Aspect	No.	Indicator	Reporting Level	Page
General Standard Disclosures				
Material Aspects and Boundaries	G4-17	a. List of all entities included in the organization's consolidated financial statements or equivalent documents b. whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	●	cover, 6~7
	G4-18	a. Process for defining the report content and the Aspect Boundaries. b. how the organization has implemented the Reporting Principles for Defining Report Content	●	cover
	G4-19	List all the material Aspects identified in the process for defining report content	●	15
	G4-20	Each material Aspect Boundaries 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	●	15
	G4-25	Basis for identification and selection of stakeholders for engagement	●	15
	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	●	15
	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	●	15
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)	●	25
	G4-30	Reporting cycle (such as annual, biennial)	●	25
	G4-31	Contact point for questions regarding the report or its contents	●	cover
	G4-32	a. 'In accordance' option (core or comprehensive) b. GRI Content Index for the chosen option c. External Assurance Report	●	cover, 92~96
	G4-33	a. Organization's policy and current practice for seeking external assurance for the report 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	●	cover, 90~91
	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	●	25~27
Governance	G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	●	25~27
	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	●	25~27
	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	●	25~27
	G4-38	Composition of the highest governance body and its committees by:	●	26~27
	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)	●	26~27
	G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	●	26~27
	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, including, as a minimum: cross-board membership, cross-shareholding with suppliers and other stakeholders, existence of controlling shareholder and related party disclosures	●	26~27
	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	●	26~27
	G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	●	25~27
	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 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	●	25~27
	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 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	●	25~27
	G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	●	25~27
	G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	●	25~27
	G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	●	25~27
	G4-49	Process for communicating critical concerns to the highest governance body	●	25~27
	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	●	25~27
	G4-51	a. Remuneration policies for the highest governance body and senior executives. for the below types of remuneration b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	●	25~27

GRI G4 Index

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

Aspect	No.	Indicator	Reporting Level	Page
General Standard Disclosures				
Governance	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	●	25~26
	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	●	25~26
	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	○	-
	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	●	28~29
	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	●	28~29

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				
DMA	G4-DMA	a. Report Why the Aspect is material, Report the impacts that make this Aspect material b. Report How the organization manages the material Aspect or its impacts c. Report The evaluation of the management approach		
Economic Performance	G4-EC1	Direct economic value generated and distributed	●	11, 13 19, 78
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	68
	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	●	9,51
Impacts Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	●	76~87
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	●	76~87
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	●	45

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	●	69
	G4-EN4	Energy consumption outside of the organization	N/A	-
	G4-EN5	Energy intensity	○	-
	G4-EN6	Reduction of energy consumption	●	68~69
Water	G4-EN7	Reductions in energy requirements of products and services	●	68~69
	G4-EN8	Total water withdrawal by source	●	70
	G4-EN9	Water sources significantly affected by withdrawal of water	○	-
	G4-EN10	Percentage and total volume of water recycled and reused	●	70
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	○	-
	G4-EN12	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)	●	68
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	●	68
	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	●	68
	G4-EN20	Emissions of ozone-depleting substances (ODS)	N/A	-
	G4-EN21	NOX, SOX and other significant air emissions	N/A	-

GRI G4 Index

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

Aspect	No.	Indicator	Reporting Level	Page
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	●	70
	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	●	68-75
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	●	68-75
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		68~75, 87
Supplier	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	●	-
Environmental Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	○	-
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	N/A	-

SOCIAL				
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	●	51~63
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	○	-
	G4-LA3	Return to work and retention rates after parental leave, by gender	○	-
Labor/ Management Relations	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	●	52
	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	○	-
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	●	55
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	62~63
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	55
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	●	51
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	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	○	-
Assessment for Labor Practices	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	●	59

GRI G4 Index

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

Aspect	No.	Indicator	Reporting Level	Page
Human Rights				
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	○	-
Non-discrimination	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	●	28~29
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	●	28~29
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	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	○	-
Human Rights Assessment	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	●	59

Society				
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	59
Anti-Corruption	G4-SO2	Operations with significant actual and potential negative impacts on local communities	○	-
	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	●	28~29
Public Policy	G4-SO5	Confirmed incidents of corruption and actions taken	●	28~29
	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	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	○	-
Assessment for Impacts on Society	G4-SO10	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	○	-

Product Responsibility				
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	●	86~87
	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	●	86~87
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	●	86~87
	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	●	86~87
	G4-PR5	Results of surveys measuring customer satisfaction	●	18
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	○	-

LOTTE SHOPPING



This report was printed on FSC™
(Forest Stewardship Council™)-certified paper with SOY INK.

**CSV manager, Mutual Growth Team, Office of External Cooperation,
Marketing Division, Lotte Department Store**

Address Lotte Shopping Center Building, 1, Sogong-dong, Jung-gu,
Seoul, Korea
TEL 82-2-2118-2031~3
FAX 82-2-2118-2679
E-mail touringjoseph@lotteshopping.com

**Mutual Growth Strategic Team,
Cooperation Division, Lotte Mart**

Address Lotte Castle Gold, 269, Olympic-ro, Songpa-gu, Seoul, Korea
TEL 82-2-2145-8000
FAX 82-2-2145-8587
E-mail rakoon85@lottomart.com