

# LOTTE SHOPPING

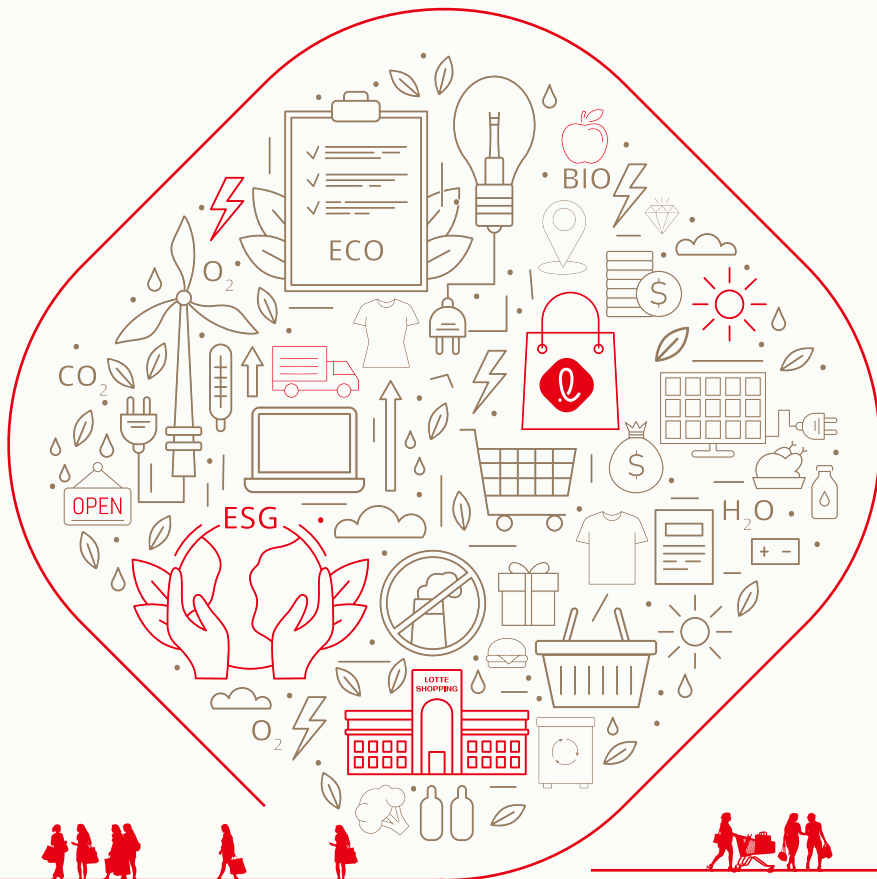
2021 SUSTAINABILITY REPORT



# About This Report

## LOTTE SHOPPING

2021 SUSTAINABILITY REPORT



## Overview

### Reporting Period and Coverage

This report covers activities from January 1 to December 31, 2021 and includes issues of the first half of 2022 for major activities and achievement. In addition, for quantitative performance, data for the past three years from 2019 to 2021 are presented to show the latest trend.

### Reference Guidelines and Reliability

This report was prepared in accordance with the Core Option of the GRI Standards and meets the four principles (inclusivity, materiality, responsiveness, and impact) of AA1000AP, which is an assurance standard of sustainability reporting. Financial information is prepared on a consolidated basis in accordance with the Korean International Financial Reporting Standards (K-IFRS) and non-financial information is prepared based on the fiscal year in accordance with our disclosure policy. If there are major issues, they are separately marked on the relevant page. In particular, energy consumption and greenhouse gas emissions are prepared based on the results of verification.

The third-party verification was conducted by an independent assurance agency in order to provide the fairness of reporting process and reliability of information reported. The third-party verification report is provided in Appendix.

### Inquiry on this Sustainability Report

For inquiry or additional information on the report, please contact us with the following contact information. We always welcome various opinions from our stakeholders.

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# LETTER From CEO

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## “Dream Together for Better Earth”

LOTTE Shopping has been leading the ESG activities in the retail sector since the declaration of ESG engagement in 2021



Dear stakeholders,

It is a great pleasure to publish and deliver our sustainability report to our customers, shareholders, partners, and employees.

These days, ESG is not an option, but a must amid growing economic challenges and uncertainty with the impact of COVID-19 pandemic for the past two years as well as growing demand for sustainability by stakeholders.

LOTTE Shopping established the ESG Committee within the Board of Directors in 2021 and organized a team dedicated to ESG activities for each Business Division (LOTTE Department Store, LOTTE Mart, LOTTE Super, LOTTE E-Commerce) in order to implement ESG activities holistically.

In addition, LOTTE Shopping declared the vision ‘Dream Together for Better Earth’ to take ESG not as a risk to manage, but as an opportunity to secure new competitiveness and has implemented top 5 ESG initiatives, including RE:EARTH related to customer-centric business model. We are planning to practice ESG activities and find new growth strategies in the process of implementing these initiatives. We will pursue ESG initiatives as a responsible retailer which interacts with various stakeholders including partners and customers.

First, we will promote carbon neutrality by 2040 and establish resource circulation system. LOTTE Shopping established the goal of achieving carbon neutrality by 2040 as it recognizes the severity of climate change risk caused by carbon emissions and is preparing the ‘Roadmap for 2040 Carbon Neutrality’ to achieve the goal. In particular, we are planning the conversion to new and renewable energy by expanding photovoltaic equipment, which is currently used in 87 stores, continuously and promoting eco-friendly power purchase agreements (PPA). In addition, we will introduce more electric vehicle charging stations and establish resource circulation system by minimizing the generation of wastes with the development of eco-friendly products such as recycled clothes, bedding and bottled water without printed labels through RE:EARTH, our eco-friendly initiative.



Second, we will build an ecosystem where our company and partners can grow together by establishing a sustainable supply chain.

LOTTE Shopping supports our partners in order to disseminate the value of ESG throughout the entire supply chain from production, retail and consumption of products. In April 2021, we issued ESG bonds worth KRW 170 billion for the first time in the retail industry and have provided training and consultation continuously to partners which need support for ESG engagement. We also developed self-checklist for partners to make sure that partners can inspect their ESG engagement level and internalize the ESG activities. LOTTE Shopping will strive to establish supply chain where we can grow together with partners.

Third, we aim to be a trusted company through the establishment of the sound governance structure and compliance. LOTTE Shopping established the Corporate Governance Charter that specifies the principles and policies related to corporate governance in May 2021 and has implemented accountable management practices by organizing Board of Directors led by non-executive directors with expertise and independence. In addition, we are certified ISO37001, an international standard for anti-bribery, to disseminate compliance and ethical management, which are the basis for ESG engagement. We will continue to improve and upgrade our compliance system by strengthening communication with stakeholders in order to improve the soundness and transparency in our Corporate governance.

LOTTE Shopping will continue to communicate with all stakeholders with sincerity to make better Earth and happier future for our customers.

We look forward to your continued interest and support for LOTTE Shopping.

Thank you.

LOTTE Shopping Co., Ltd.

Vice Chairman / Group CEO Kim Sang Hyun



#First Destination for Shopping

#Lotte Retail #ESG\_5REs

**LOTTE Department Store will incorporate sustainable values into its journey together with customers as an ESG Lifestyle Curator.**



# New LOTTE Department Store  
# Warm charisma # Strategic thinking

Dear shareholders, this is Chung Joon Ho, the CEO of LOTTE Department Store.

COVID-19 pandemic has not only affected people's lives in general, but also made companies concern about business goals fundamentally. Accordingly, LOTTE Department Store presents its commitment to change and to promise for a better future in this sustainability report as it recognizes the need for change and the importance of a sustainable future deeply.

In 2021, LOTTE Department Store established the vision 'Premium Lifestyle Curator' and has achieved the goal of providing a new and differentiated lifestyle with improved shopping quality by curating competitive products and services. In addition, LOTTE Department Store has made multi-faceted efforts for ESG engagement. We have contributed to environment management with the introduction of eco-friendly FCS certified shopping bags and LOTTE MRV (Measurable, Reportable and Verifiable) system to manage greenhouse gas emissions. And also we've invested in high-efficiency store lighting technology and elevator waste heat utilization devices as well. We have also taken the lead in recruiting and developing female talents by achieving the ratio of 60% of female talents out of total and have supported partners who were suffering from difficulties due to COVID-19 by reducing lease fees.

In 2022, LOTTE Department Store plans to push ahead with its ESG activities with two drivers: RE:JOICE and RE:EARTH. First, we will reorganize RE:JOICE, our psychological counseling CSR campaign to deliver a message that supports our self-esteems, dreams and hopes for a better society. In addition, we will succeed Green LOTTE, which was the first declaration on the value of environment management made in the retail industry under the name of RE:EARTH. And we will conduct environmental protection projects regularly for a sustainable future. We are planning to deliver the eco-friendly message to our customers with projects such as Beach Combing projects in Gangwon and Jeju in the upcoming summer to respond to marine waste issues and the project to introduce eco-friendly ISP in the second half of this year. We need to move away from the past and promote changes today to create a sustainable future based on ESG engagement. The purpose of our ESG activities is the same. We will achieve the goal with the support and interest of our stakeholders who are the foundation and the objectives of LOTTE Department Store. Please join our journey to make a sustainable future.

Thank you.

LOTTE Department Store, LOTTE Shopping Co., Ltd.

CEO Chung Joon Ho

Dear shareholders, customers, partners, and employees.

Thank you for your constant interest in and support for LOTTE Mart.

LOTTE Mart, as a leading retailer that sells daily necessities closely related to customers' lives in Korea, has a sense of infinite responsibility and duty for the entire process from product manufacture to disposal after purchase. Amid COVID-19 pandemic crisis, we have conducted various activities for sustainable management of LOTTE Mart.

First, we established ESG Team in January 2022 in order to set up eco-friendly strategies and mid-to-long-term strategies as well as launched eco-friendly products with advanced packaging and raw materials such as CHOICE L label-free bottled water, T-shirts and umbrellas using plastic wastes through the process of upgrading 'RE-EARTH', an eco-friendly brand of LOTTE Mart. In response to climate change, we introduced Environment Management System, which systematically manages environmental performances, such as electricity, water and waste. Also, we have accelerated both reduction of carbon emission and adoption of renewable energy by installing photovoltaic power generation facilities on rooftop and parking lot as well as expanding electric vehicle charging stations. Furthermore, we have continued to conduct CSR activities such as operation of RE:JOICE psychological counseling center, disaster relief activities, ESG consulting for small-and-medium sized partners and support for domestic and overseas sales channels to fulfill our social responsibilities as a member of the community. As a result of such efforts, LOTTE Mart obtained 'GREEN STAR' certification, which is given to products and services recognized for their eco-friendliness in terms of quality, design and user environment through consumer research, in April 2022.

Dear stakeholders. LOTTE Mart is well aware that the demand for ESG engagement from various stakeholders including shareholders, customers and partners are expanding, and it is the time to change the perception of the nature and role of the company. To live up to such expectations, we will internalize the way of doing business from the perspective of ESG that pursues sustainable corporate values in the long term rather than focusing on short-term financial outcome and continue changes and innovation that can benefit the planet in all processes from production, sales, use and disposal of products. We ask for your unwavering support and attention to make our passion and efforts achieve greater results.

Thank you.

LOTTE Mart, LOTTE Shopping Co., Ltd.

CEO Kang Sung Hyun

LOTTE Mart will put 'RE:EARTH' into practice to benefit the Earth in all processes from manufacturing, retail and consumption as a leading eco-friendly company.



#RE:EARTH #Commuting by bike  
#Re New All #Handsome



#FRESH&DELI #Working mom on her way home  
#No. 1 supermarket # Early adopter

## We will make our best efforts to help working moms in Korea prepare satisfactory meals conveniently.

Dear stakeholders, My name is Nam Chang Hee, CEO of LOTTE Super.

LOTTE Super strives to improve the dietary life of Korean people continuously. To this end, we are conducting various activities to improve food safety and remove inconveniences in people's lives. We are also doing our best to fulfill our social responsibilities and create values for our customers and shareholders to achieve sustainable growth.

In order to respond to climate change crisis preemptively, we are conducting various activities to preserve the environment by establishing photovoltaic power generation and energy efficiency systems to reduce carbon emissions, offering delivery service using electric vehicles and expanding smart farm agricultural products to provide eco-friendly and safe food to customers anytime.

Moreover, all employees are committed to implementing fair trade, anti-corruption, transparent management and ESG engagement and safety of employees at business sites are managed thoroughly by establishing a dedicated organization and securing professional manpower to prevent serious accidents.

LOTTE Super will continue to offer products and services that satisfy our customers and practicing sustainable management.

Thank you.

LOTTE Super, LOTTE Shopping Co., Ltd.

CEO Nam Chang Hee



## LOTTE ON connects online and offline space, offering new shopping experience and benefiting the world.

Dear stakeholders.

My name is Na Young Ho, CEO of LOTTE E-commerce Business Division.

LOTTE E-Commerce has served as a bridge to introduce products and brands of small-and-medium sized businesses including eco-friendly and socially responsible consumer goods to our customers to share the value of such products from the time when we ran LOTTE.com, the first online shopping mall in Korea to these days when we run LOTTE ON. Starting from this year, LOTTE E-Commerce has conducted 'IroON' project which I aimed to inform customers of the value of brands and products that are conducting management activities benefiting the earth such as vegan and upcycling. LOTTE E-Commerce will do its best to create a platform ecosystem where customers, brands and sellers can implement ESG engagement together.

In addition, LOTTE E-Commerce is creating innovation in a horizontal and autonomous culture as a frontier company in e-commerce field in Korea. We are creating a horizontal organizational culture by installing free communication channel and direct communication channel (Monday Letter) between CEO and employees. In addition, we are implementing digital transformation boldly to make our workplace more flexible and horizontal to recruit and develop core talents who are the competitiveness of a platform by promoting work life balance with the expansion of selective working hours and abolishing vertical rank system to introduce career level system where all employees are assigned with 8-step level that allows them to achieve the top level within 7 years.

Your support for LOTTE E-Commerce, which will grow into a lifestyle platform leading the value-oriented consumption together with customers, brands and employees with the goal of 'Dream Together for Better Earth' would be highly appreciated.

Thank you.



#LOTTE ON #Holmes #IroON  
#Digital DNA #Monday Letter

LOTTE E-Commerce, LOTTE Shopping Co., Ltd.

CEO Na Young Ho

# OUR BUSINESS

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Overview of LOTTE Shopping

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[2021 Highlight] Key Figure

## Korea's leading retailer that considers customers first

'To be the First Destination for Shopping' It is the path that has been taken and future direction for LOTTE Shopping.

LOTTE Shopping, which has grown into one of the leading retailers in Korea with advanced infrastructure and system as well as differentiated products and services since its foundation in 1979, is now contributing to customer satisfaction and advancement of retail industry in Korea by running various retail Business Divisions including Department Store, Discount Store, Super and E-Commerce online and offline and taking the lead in new attempts.



# Overview of LOTTE Shopping

## About the Company

LOTTE Shopping has grown into one of the leading retailers in Korea by offering differentiated products and services to customers based on advanced infrastructure and system for over 40 years since its foundation in 1979. We have introduced new and diverse retail channels and store formats such as Department Store, Hypermart, Super, Electronic Appliances Store, Homeshopping, Cinema and E-Commerce and expanded mobile business to solidify its foundation for growth, realizing more advanced retail business.

Company name	LOTTE Shopping Co., Ltd.	No. of employees	21,042
Founding date	November, 1979	Total assets	KRW 33.4 trillion
CEO	Kim Sang Hyun	Equity capital	KRW 11.8 trillion
HQ	Namdaemun-ro, 81, Jung-gu, Seoul, 04533 Korea	Credit rating	KIS AA, Korea Rating AA, NICE AA, JCR A negative
Type of business	Retail		

### Vision

**LOTTE SHOPPING**



▶ To be the Frist Destination for Shopping



- ▶ LOTTE Retail is on top of mind when customers think about shopping.
- ▶ LOTTE Retail provides best quality products at best value.
- ▶ LOTTE Retail strives to make shopping a positive experience, on and offline and from beginning to end.
- ▶ LOTTE Retail is a great place to work that helps our employees provide best service to our customers.
- ▶ LOTTE Retail strives to make shopping environmentally and socially friendly.



**Premium Lifestyle Curator** that provides new and pleasant experience every day.



**Everyday NEW Store** (NEW Surprise/NEW People/NEW Trust)



**No.1 Supermarket** in Korea that removes the burden of preparing meals for working moms



The most customer-centric **E-Commerce platform**



**Our Business**

**Business Divisions**



**Sales: KRW 2.888 trillion** (64 stores)  
60 stores in Korea (36 department stores, 22 outlets)  
4 overseas stores



**Sales: KRW 5.716 trillion** (175 stores)  
112 stores in Korea (106 hypermarkets, 6 MAXX stores)  
63 overseas stores (14 in Vietnam, 49 in Indonesia)



**Sales: KRW 1.452 trillion** (400 stores)  
Excluding stores dedicated to product supply



**Sales 100.8 billion**



**KEY SUBSIDIARIES**



**Sales: KRW 3.87 trillion** (427 stores)  
**Shareholding ratio: 65.3%**



**Sales: 1.103 trillion**  
**Shareholding ratio: 53.5%**



**Sales: 235 billion** (199 cinemas)  
143 cinemas in Korea, 56 cinemas in overseas  
**Shareholding ratio: 86.4%**

**Award**

**Department Store**



2019-2023  
Customer Centered Management (CCM)



2003-2021  
National Customer Satisfaction Index (NCSI)  
Department store sector



2004-2021  
National Brand Competitiveness Index (NBCI)  
Department store sector

**Mart**



2011-2021  
National Customer Satisfaction Index (NCSI)  
Hypermarket sector



2017-2021  
Korea Customer Satisfaction Index (KCSI)  
Hypermarket sector



Obtained 'Green Star' certification for the first time in the hypermarket sector (April 21, 2022)

**Super**



Best Brand Award (Forbes Korea)



2012-2021  
National Brand Competitiveness Index (NBCI)  
Large supermarket sector



Excellent store with excellent hazardous product blocking system [excellent]

**E-Commerce**



2015-2021  
National Brand Competitiveness Index (NBCI)  
Internet shopping mall sector



# Business

## LOTTE Department Store

LOTTE Department Store is an undoubted No. 1 department store in Korea, leading innovation in organizational culture internally and changes to satisfy our customers externally. LOTTE Department Store has presented a better lifestyle to customers to lead the retail industry in Korea amid difficulties due to the outbreak of COVID-19 pandemic in 2020. 2022 is the first year of change and innovation of LOTTE Department Store. We will take the lead in ESG engagement for a sustainable earth.



## LOTTE Mart

LOTTE Mart has positioned itself as a global retailer that runs 175 stores at home and abroad after opening the first Gangbyeon Store in 1998. In 2021, we established the new vision 'Everyday NEW Store' and have strived to provide new products and experience to our customers. We are practicing ESG engagement to grow together with all stakeholders such as 'RE:EARTH', our eco-friendly campaign, to fulfill our responsibilities as a social enterprise.



### Business Direction

LOTTE Department Store established a new 'vision' to overcome the COVID-19 pandemic that emerged unexpectedly in 2021. The new vision incorporates our business direction to elevate shopping quality by providing high quality products and services that matches the level of the department store, which is our core competitiveness, and curate new and differentiated experience for our customers in the future.

Under the new vision, we have implemented various experience-based merchandising and strengthened promotion activities targeting MZ generation as our key customers, to establish the unique identity of LOTTE Department Store. In addition, we have maximized the convenience of shopping, taking advantage of digital technologies such as visit reservation platform and all of our employees are making an effort to create an organizational culture with creativity and challenge spirit internally.

Store Information	Category	Korea			Overseas	Total
		Department Store	Outlet	Shopping Mall		
No. of stores		32	22	6	4	64

### Business Direction

LOTTE Mart has strengthened grocery sector including fresh food intensively as a key competitiveness moving away from traditional discount store type business while promoting category-specific stores for non-food items based on selection and concentration strategy.

In addition, we will continue to secure market competitiveness by expanding and operating new types of stores such as MAXX, a warehouse-type discount store, Smart Store, an integrated online and offline store and Bottle Bunker, a liquor-specialty store.

Store Information	Category	Korea	Vietnam	Indonesia	Indonesia
		No. of stores	112	14	49

## LOTTE Super

LOTTE Super intends to be always with our customers as a customer-centric retail channel in nearby commercial area with the vision 'No.1 Supermarket in Korea that removes the burden of preparing meals for working moms'. To this end, we are working hard to create product content professionally, upgrade system-based store function to increase operational capability and establish omni-network that links us with customers and partners in real time.



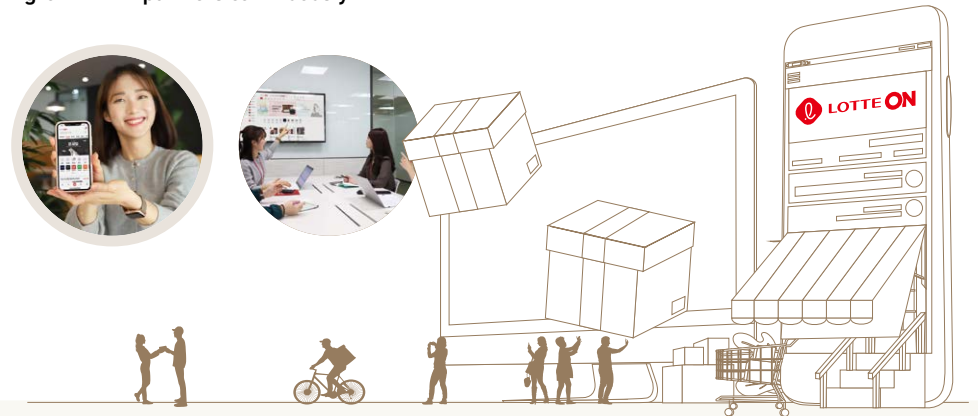
### Business Direction

LOTTE Super is expanding the fresh food business focusing on eco-friendly, premium, antibiotic-free and smart crops by organizing product line-up based on trust so that customers can purchase food with relief. In addition, we intend to be the stores where new products are available rapidly and strengthens NPB and PB products that provide excellent value for money to respond to rapid inflation. In addition, we continue to expand Delica business which provides satisfactory meal as a channel that helps working moms prepare meals and do house chores to save time. In addition, we are working hard to achieve automated system and data standardization along with reshaping of our logistics network for sustainable efficiency in logistics.

Store Information	Category	Direct management store	Franchise	Product supply	Total
	No. of stores	280	120	398	798

## LOTTE E-Commerce (LOTTE ON)

LOTTE E-Commerce provides an optimized shopping solution to customers to make sure that LOTTE, a No. 1 retailer in Korea that established the first comprehensive online shopping mall in Korea in June 1, 1996, can maintain its No. 1 position in the online market, too. In addition, we are practicing ESG engagement by expanding investment in environmental and social sectors including eco-friendly management, establishment of cooperative corporate culture and promotion of shared growth with partners continuously.



### Business Direction

LOTTE E-Commerce strives to increase competitiveness by utilizing core assets of the group together with affiliates of LOTTE Group with an aim to be the shopping application most preferred by customers. We want to create a lifestyle platform that provides higher value to our customers by overcoming the limitations of offline channel and focusing on trendy products and products which will be sold in large volume on online stores. We are strengthening synergy of online and offline channels such as integration of online and offline product data and identifying opportunities to secure customers and traffic utilizing group assets. LOTTE E-Commerce will provide a shopping experience, different from other platforms to our customers based on these efforts.

State of Business	Business areas	Market place, LECS (brand online store), e-commerce of group affiliates
	Founding date	August, 2018 (Establishment of LOTTE.com Co., Ltd. in January, 2000)
	Major products	Beauty, fashion, luxury, food, living, electronic appliances (except for LOTTE Department Store, LOTTE Mart online mall)

# [2021 Highlight] Key Figures



## LOTTE Mart acquired 'Green Star' Certification for the first time as a hypermarket

LOTTE Mart acquired 'Green Star' Certification in April 2022 for the first time as a hypermarket. Korea Management Registrar identifies products and services recognized for its eco-friendliness in terms of quality, design and user environment through consumer research and grants 'Green Star' Certification. LOTTE Mart received the certification in recognition of its eco-friendly management such as introduction of eco-friendly raw and packaging materials mainly for PB products of LOTTE Mart and operation of photovoltaic energy system in stores.

## Issuance of ESG Bonds and Support for Partners

LOTTE Shopping issued ESG bonds in April, 2021 for the first time in the retail industry to establish an ecosystem where it grows together with small-and-medium-sized companies. By doing so, LOTTE Shopping strives to reduce the financial burden and strengthen business competitiveness of small-and-medium-sized partners.

Issuance of ESG bonds for the first time in the retail industry

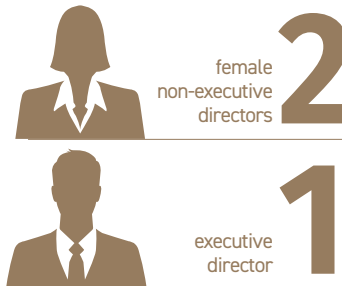


## Establishment of the ESG Committee

LOTTE Shopping declared November 2021 as the first year of ESG engagement and established the ESG management for a more systematic and transparent ESG engagement. The ESG Committee is the highest-level council for ESG engagement that covers not only environmental and social issues but also ESG risk management and new projects.

\* As of Q1, 2022

### Composition of the ESG Committee



## Developing environmental specialists

LOTTE Shopping is proactively responding to climate change by growing employees in charge of environment into environmental specialists and encouraging them to strengthen their competencies.



greenhouse gas management engineers & industrial engineers

**15**



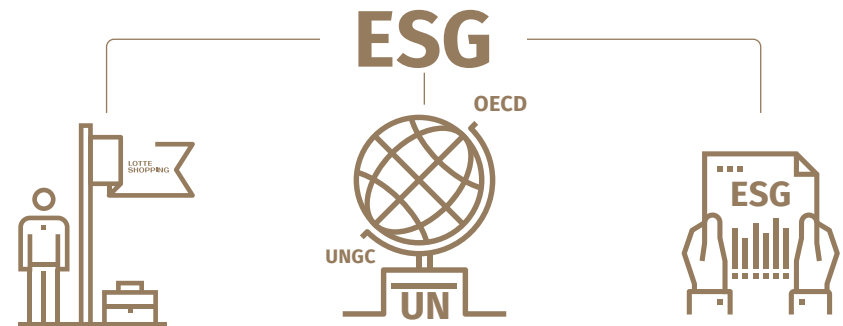
employees holding environment-related license including greenhouse gas

**10**

\* Total number in LOTTE Shopping

## Establishment of Standards for a Sustainable Management

LOTTE Shopping established a Code of Conduct and human rights policy to promote inclusive human rights management that bans discrimination and respects diversity and strengthen human rights management systematically. In addition, we respond to ESG risks by preparing ESG self-checklist for partners to incorporate partners in our ESG framework.



### Code of Conduct for LOTTE People

Establishment of Code of Conduct to build trust with customers, employees, partners, shareholders and society and to strive to internalize the Code of Conduct as LOTTE people

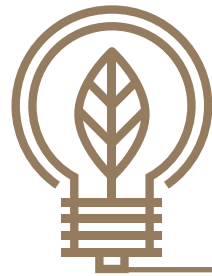
### Establishment of human rights policy

Establishment of global-level human rights policy based on Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, UNGC and OECD Guidelines for Multinational Enterprises

### Preparation of ESG self-checklist for partners

Development of ESG self-checklist for partners of LOTTE Shopping with which partners can check the level of ESG engagement of their company in all ESG areas including ethics, human rights, environment and safety

### Carbon Emissions Reduction with Improved Energy Efficiency



LOTTE Shopping reduced energy consumption and carbon emissions from stores through energy efficiency projects including establishment of high-efficiency facilities and replacement of existing equipment in each Business Division.

Carbon emissions reduction rate compared to 2018



### Strengthening Information Security Organization



LOTTE Shopping appointed the Chief Information Security Officer (CISO) and organized information security organization according to applicable information security acts in Korea to operate information security management system. In addition, privacy information of customers and employees are managed by appointing the Chief Privacy Officer (CPO) in each Business Division.

Appointed the Chief Information Security Officer (CISO)

Appointment of the Chief Privacy Officer (CPO) in each Business Division

Reshaping the organization to separate information security organization by Business Division (as of June 2022)

### Global Compliance Management

Department Store Business Division of our company has obtained and maintained ISO 37000, which is an international standards for anti-corruption management system, since September 2018 and all Business Division including Mart, Super and E-Commerce obtained ISO 37001 as of September 2021.



All Business Divisions of LOTTE Shopping

Scheduled for 2022



obtained and maintained

proceed with acquisition of certification

\* International standards for anti-corruption management system

\* International standards for compliance management system

### Introduction of Corporate Governance Charter

LOTTE Shopping introduced 'Corporate Governance Charter', the highest-level regulation that incorporates the principles and policies of governance, through the Board of Directors' meeting in May 13, 2021 in order to establish the advanced corporate governance structure conforming to global standards, fulfill its corporate social responsibilities and promote sustainable growth.



Introduction of Corporate Governance Charter to secure fairness, transparency and independence of governance

### Improvement in Customer Satisfaction and Service

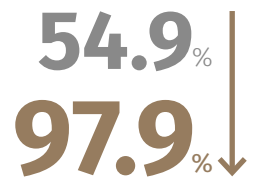
LOTTE Shopping strives continuously to increase satisfaction of its customers and offer a better service. We are upgrading our service to provide the best customer experience from the customer-oriented perspective.

Unification of customer center numbers + introduction of mobile chatbot counselling channel



Increasing response rate

(2020 May)



(2022 April)

### Safety Management

LOTTE Mart obtained ISO 45001, an international standards for safety and health management system, for the first time as a hypermarket. With this certification, the safety and health system of LOTTE Mart is recognized to be in line with global standards.



Acquisition of for the first time as a large mart



\* International standards for safety and health management system

# OUR COMMITMENTS

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[Special Feature] Sustainable Business

## ESG Engagement, a New Competitiveness of LOTTE Shopping

In the era of carbon-neutrality, which is the direction we should pursue for all, LOTTE Shopping takes ESG engagement as an opportunity to achieve sustainable growth of the society and the company and secure new competitiveness.

LOTTE Shopping implements ESG engagement holistically by declaring 2021 as the first year of proactive ESG engagement with the slogan 'Dream Together for Better Earth'.





# ESG Governance

## Declaration of ESG Vision and Top 5 Initiatives

LOTTE Shopping has explored the way to turn ESG as new competitiveness as a general retailer. As a result, it declared November 2021 as the first year of ESG engagement and announced the slogan 'Dream Together for Better Earth' to implement ESG engagement activities in earnest. It established specific direction of ESG activities such as responsible product

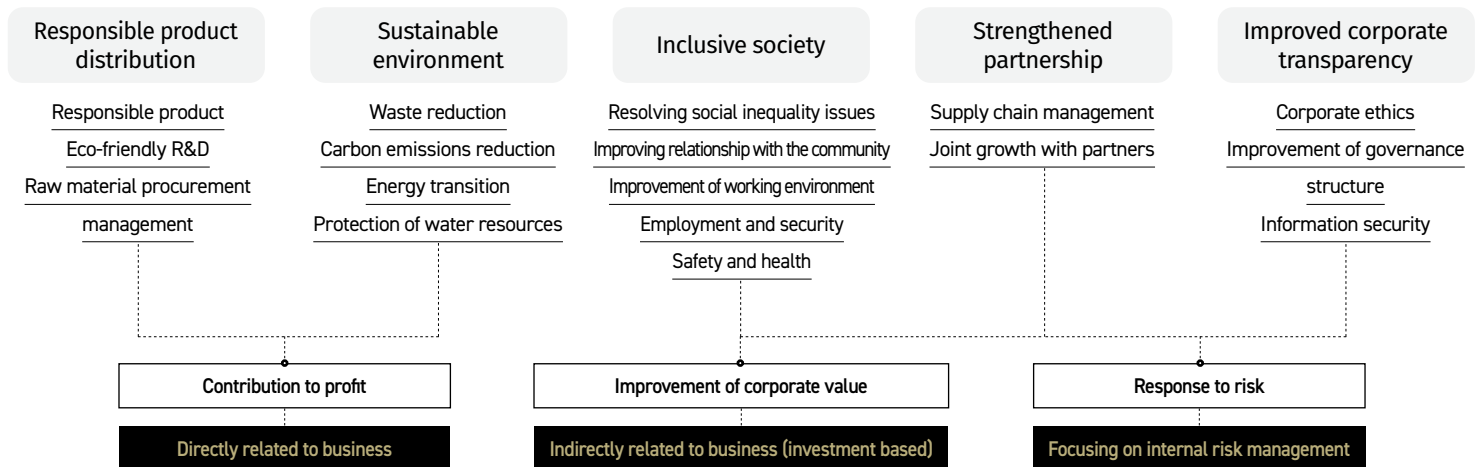
distribution, sustainable environment, inclusive society, partnership and corporate transparency and declared 5 RE-EARTH projects. We will be a company trusted by stakeholders, moving toward a sustainable future by focusing more on creating ESG values based on top 5 ESG initiatives.



- LOTTE Shopping Vision
- ESG Slogan & Priority
- Main Initiatives
- ESG Goals Types and Detailed Strategies

### To be the First Destination for Shopping

#### Dream Together for Better Earth





### ESG Committee

LOTTE Shopping established the ESG Committee in November 2021 for a systematic and transparent ESG engagement. The ESG Committee is composed of 2 female non-executive directors and one executive director. It is the highest-level body for ESG engagement covering not only environmental and social issues but also ESG risk management and new projects.

The ESG Committee has approved LOTTE Shopping's ESG vision and top 5 ESG initiatives, and serves the role of objectively reviewing and decision-making on the following tasks.

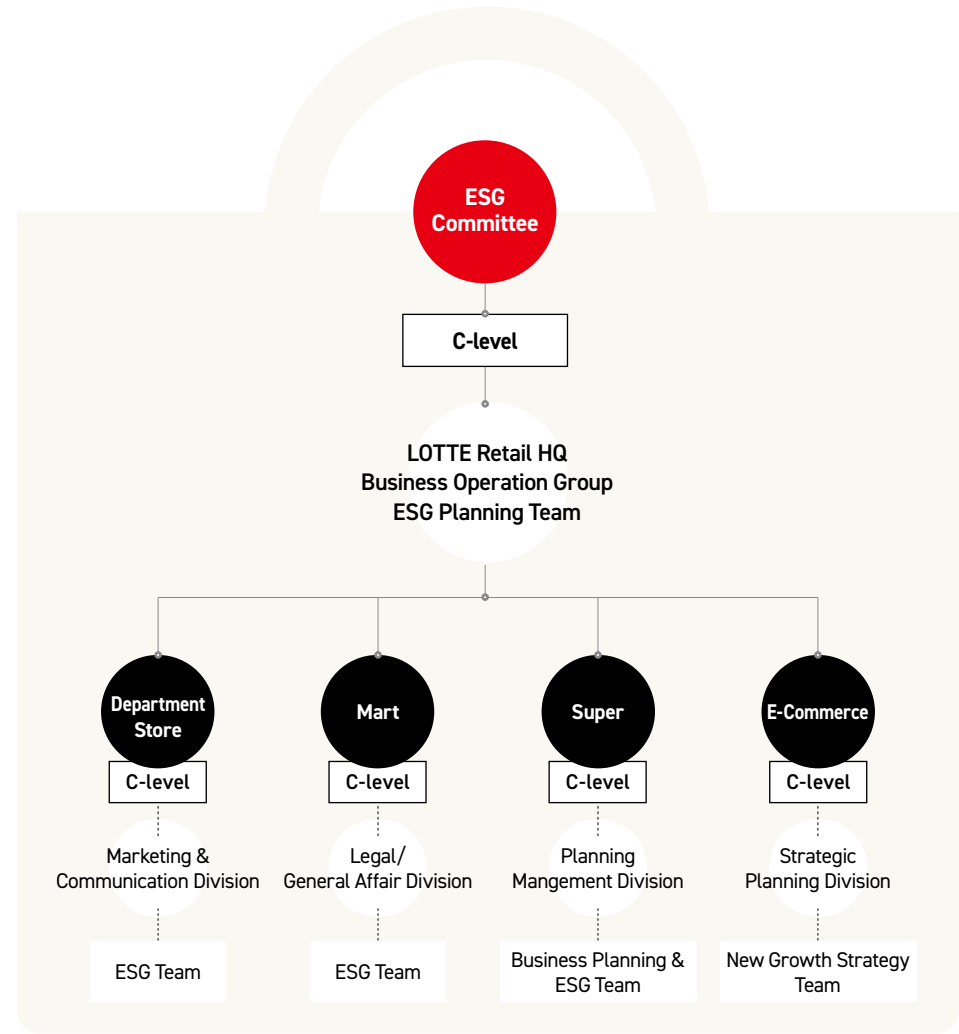
ESG Committee Meetings		
Meeting	Agenda	
1 <sup>st</sup> meeting	November 11, 2021	Agenda: Appointment of Chairperson of the ESG Committee LOTTE Shopping ESG Strategy Approva
2 <sup>nd</sup> meeting	March 8, 2022	Reporting: LOTTE Shopping Sustainability Report Publication Plan Agenda: Annual ESG Action Plan Approval Power Purchase Agreement Plan Approval
3 <sup>rd</sup> meeting	June 9, 2022	Reporting: ESG Requirements of LOTTE Shopping Stakeholders Agenda: Human Rights Policy Establishment Employee Training System Improvement Plan Establishment

Composition of the ESG Committee		
Name	Purpose and Authorities	
Jeon Mi Young (Chairperson)	Non-executive director	<b>Purpose</b> - Management of ESG risk and opportunities - Decision-making on ESG strategies <b>Authority</b> - Deliberation of environmental, social and governance policies and overall matters related to ESG activities - Establishment of policies/strategies, setting mid-to-long-term <b>goal and annual plan for ESG engagement</b>
Shim Su Ok		
Kang Sung Hyun	Executive director	- Matters related to ESG performance and ESG activities implementation results - Major non-financial risk management and response - Communication with stakeholders

\*As of Q1, 2022

### ESG Governance Structure

LOTTE Shopping established ESG team in each Business Division to strengthen and maintain ESG engagement. Working-level council among ESG teams is established to share ESG engagement strategies, promote cooperation organically and strengthen ESG engagement.



# Top 5 ESG initiatives

## Dream Together for Better Earth!

Top 5 ESG initiatives of LOTTE Shopping include common message that encompass 4 Business Divisions of Department Store, Mart, Super and E-Commerce and specific implementation tasks for ESG engagement based on the slogan 'Dream Together for Better Earth'. We will develop eco-friendly products and dedicated sales space, introduce eco-friendly energy, promote virtuous cycle of resources, embrace members from diverse background and share growth with partners based on the top 5 initiatives, and expand our activities to be a leading company in ESG engagement trusted by all stakeholders.



### Specific ESG Activities

#### ESG Campaign Brand and Slogan

**RE: EARTH**  
Dream Together for Better Earth

#### ESG Priorities



#### Top 5 ESG initiatives



#### Risk Management

Establishment of responsible procurement policy	Establishment of carbon emissions target for sales retail	Upgrading job/rank specific training system	Establishment of ESG Guideline for Partners	Establishment of Code of Conduct and information security policy
Expansion of eco-friendly products	Measurement of carbon emissions in the upstream	Establishment of human rights policy	Establishment of partner risk management system related to ESG	Review on organization of the Board of Directors

### Introduction of Top 5 ESG Initiatives

- RE:EARTH** Eco-friendly brand for the Earth! Project to apply RE-EARTH brand to space dedicated to eco-friendly PB, sourcing products and eco-friendly products
- RE:ENERGY** Green energy that does not harm the Earth! Project to save energy and establish eco-friendly energy system using renewable energy, introducing electronic vehicle charging station and expanding energy saving equipment in order to establish and implement carbon neutrality roadmap
- RE:USE** Joining our forces together! Project that provides customers with an opportunity to contribute to waste reduction easily in their lives by promoting transaction of second-hand products.
- RE:JOICE** Psychological counseling center! Psychological healing project that supports the self-esteem, dreams and attempts of all people, succeeding the name of LOTTE Shopping's CSR campaign.
- RE:VIVE** Creating an ecosystem for all! Project to create a sound value chain such as investment in companies involved in second-hand item transaction and issuance of ESG bond to reduce financial burden of partners in order to promote virtuous cycle of resources.



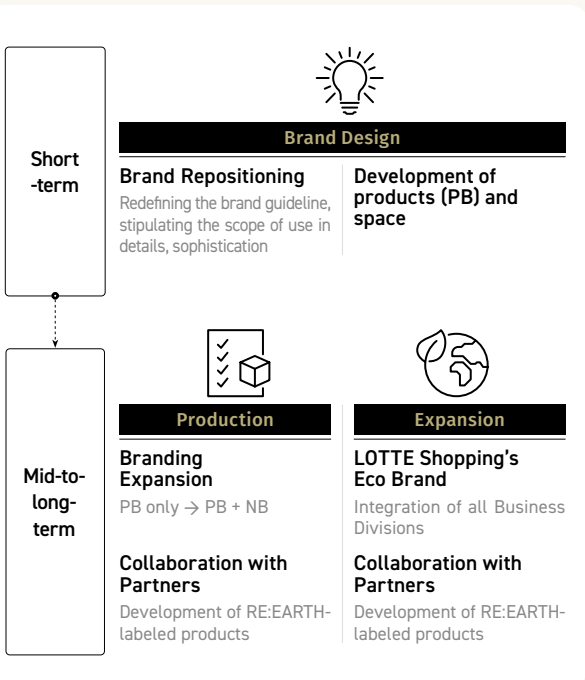
## Integrated ESG brand that creates business competitiveness for LOTTE Shopping

RE:EARTH is originally an eco-friendly campaign brand launched in August, 2021 by LOTTE Mart. At the ceremony to declare ESG Engagement of LOTTE Shopping in November 2021, it was expanded to represent the ESG brand of LOTTE Shopping. RE:EARTH is both the name of LOTTE Shopping's ESG campaign and its project that expands eco-friendly products and space.

RE:EARTH is a project that is closely related to retail business, which is the main business of LOTTE Shopping. Under the project we will plan and expand the eco-friendly Private Brand (PB) products and create dedicated sales space. In the mid-to-long-term, we will apply the RE:EARTH brand not only to PB but also National Brand (NB) products which share the value of RE:EARTH, responding to consumer needs for eco-friendly products by creating shop-in-shop stores within LOTTE Shopping stores.



### Mid-to-long-term Plan



### Released Products



Eco-friendly note

This note is made of by-products of sugar cane without cutting trees. Binding is done using thread instead of spring and bond and eco-friendliness is improved with printing using soybean oil.



Label-free bottled water

This product reduces waste generation as it has no label and increases recycling efficiency without the inconvenience of separating waste. Weekly usage of 12 2-liter label-free bottled water products can lead to reduction of 21,800kg of waste in a year.



Meal kit

This 'Yorihada (To Cook)' PB meal kit product was re-launched after placing plastic trays with paper package. We are becoming more eco-friendly by renewing package for existing products in addition to newly launched products.



## Energy Saving and Expansion of Eco-friendly Energy Infrastructure

RE:ENERGY is a initiative intended to expand the use of eco-friendly energy and save energy consumption. In order to respond to global climate change issue, we are establishing eco-friendly infrastructure by installing photovoltaic power facilities, introducing EVs and charging stations, and establishing energy saving facilities.

We will accelerate the introduction of renewable energy and conduct various activities to reduce the energy consumption.

### Renewable Energy

LOTTE Shopping has installed photovoltaic power generation facilities on rooftops and parkinglots of business sites starting from LOTTE Mart Pyeongtaek Store in 2009. Currently, LOTTE Shopping's annual generation of solar electricity is 6.1GW, which is equivalent to reducing 2,802tCO<sub>2</sub>-eq of greenhouse gas emissions. In addition, we are actively reviewing to purchase renewable energy from outer sources (PPA; Power Purchase Agreement) and participating in government projects to support photovoltaic power generation.



### Electric Vehicle Charging Stations

LOTTE Shopping is installing more electric vehicle charging stations to reduce carbon emissions and to respond to increasing demand for electric vehicles. Starting from LOTTE Department Store Daegu Store in 2017, we have installed and operated a total of 424 units of electric vehicle charging equipment as of 2021. We are planning to upgrade EV charging experience by introducing various services such as payment services such as payment using LOTTE membership points, providing various promotions and events.

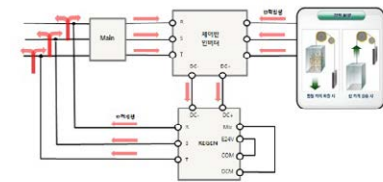


### Expansion of High-efficiency Equipment

LOTTE Shopping is introducing various equipment to minimize energy consumption in stores. We reduced energy consumption by expanding high-efficient equipment such as high-efficient LED and inverters and we are conducting various activities to reduce energy use including installation of doors to showcase refrigerator in 2022.

### Installation of Waste Heat Recovery Devices in Elevators

LOTTE Department Store installed power regenerative unit that converts kinetic energy generated when elevator is in operation, into electrical energy which is used for lighting, heating and electric appliances in stores. We installed the unit in 246 places in 23 stores including Main Store and found that we saved 2,793MWh of electricity a year and cost of KRW 370 million as the need for running air conditioner within the machine room thanks to reduced heat in the elevator machine room. With reduced temperature (181.2°C → 38.7°C) of panel within he machine room, increasing the life of equipment.



<Diagram of E/L waste heat recovery and power generation unit>



**RE:USE** Circulation of waste resources to realize a sustainable circular economy

RE:USE is a initiative intended to reduce, recycle and reuse all wastes generated throughout the entire value chain from manufacturing, retailing to consumption of products.

We are conducting various projects such as planning of products that minimize the generation of waste, developing products made of recyclable materials and reuse of resources through collaboration with second-hand item distribution platforms to contribute to waste reduction. We will continue to promote RE:USE initiative to make a sustainable circular economy.



**Minimization of Waste**

We design our PB products to make sure that unnecessary waste is not generated from the product planning stage based on the thought that 'the best way is not to generate waste from the beginning'. We launch products that do not generate unnecessary waste such as canned ham without plastic cover, sparking water without plastic label and ice pack filled only with water, minimizing negative impact on the environment and minimizing the waste of resources.



**Making Products with Recycled Materials**

We are producing various products by recycling waste as part of our efforts to promote resource circulation to make the earth cleaner. In 2021, we launched clothes, bedding, foot mat made of recycled PET bottles and living room slippers made of scrap sponge. We will continue our effort to contribute to virtuous cycle of resources by launching various products using recycled materials.



**Operation of Platform for Second-hand Products Transaction**

We sell second-hand products by forming partnership with 'Parabara', a non-face-to-face second-hand item transaction platform in 2020, to reduce waste in our society.

Parabara, a platform for second-hand products, guarantees reliability and safety of second-hand product trade for customers since sellers and buyers can trade products by visiting nearby stores, allowing buyers to check the condition of second-hand products before buying. Parabara, which serves as the community-based transaction platform, provides service in 4 LOTTE Mart Stores (Junggye, Yangpyeong, Gwanggyo, Gangbyeon Stores).



**Reduction of Deli Food Disposal**

LOTTE Mart has a same-day production, sales and disposal principle for deli counters. To reduce the disposal of prepared food made on the same day, we formed a partnership with 'Last Order', a commercial platform for food and beverage discount at the last minute and provide the service in 38 LOTTE Mart stores as of 2021.

We were able to reduce the disposal of 4,200 prepared food products worth KRW 42 million in 2021 alone through the partnership while customers could benefit from price discount up to 50%, allowing us to achieve the reduction of food waste and sales target at the same time.





**RE:JOICE Psychological counseling center for LOTTE Shopping customers**

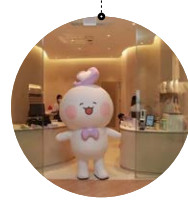
RE:JOICE started as campaign to improve awareness on depression in 2017 by LOTTE Department Store. The campaign has been expanded to be the companywide campaign of LOTTE Shopping that supports the self-esteem, dreams and attempts of women since 2021. At the beginning of the campaign, psychological counseling and care services were provided to employees of LOTTE Department Store and after the opening of the psychological counseling center 1 in 2020 within the LOTTE Department Store Centum City Store, we provide psychological counseling service at lower prices than other psychological counseling centers to general customers as part of our CSR activities. As of June, 2022, 4 psychological centers in LOTTE Department Centum City, LOTTE Department Store Dongtan, LOTTE Mart Jamsil and LOTTE Mart Suji are in operation as of June 2022 and 2,050 consultations were provided in 2021 alone.

LOTTE Shopping will run a participatory one-day class with cultural center, upgrade counseling contents with external professional psychological counseling centers, and strengthen the capability of counselors in order to improve the awareness of the general customers on psychological care through the RE:JOICE project. In the future, we aim to create 'Total Healing Zone' by collaborating with beauty brands and tea brands when we open new psychological counseling center, providing one-stop service that takes care of in and outside of our customers.



**Operation of RE:JOICE Psychological Counseling Center**

Consultations	Department Store		Mart	
	Centum City Store	Dongtan Store	Jamsil Store	Suji Store
Opening date	'20. 9. 25.	'21. 8. 20.	'21. 4. 30.	'21. 11. 19.
Location	B1F	B2F	6F	2F
Composition of the store	Psychological counseling center with cafe	Psychological counseling center with cafe	Psychological counseling center with cafe	Psychological counseling center for kids



**Interview**

**Working Mom in her 40s**

"I found myself delivering my stress at work to my children and husband so I visited RE:JOICE counseling center. I could visit the center with relief because I was assured that other people never know my history of getting counseling.

Based on the advice from professional counselor, I am trying to figure out how to separate work from home and relieve my stress before going home from work. Before I got counseling, I thought that I had to find special method of relieving stress or hobby but I learned that there are simple ways of relieving stress such as taking a walk for about 10 minutes before I go home. Now, I am learning how to communicate with family in a soft voice tone and behave well, which helps recover relationship with my family a lot".

**Employee in 30s with Groundless Fear of the Future**

"I have always felt a groundless fear of the future. I studied hard to enter university and prepared a lot to get a job I want. I am working hard at the company I want. But when I look back, I always feel emptiness and helplessness. I don't know the reason for such feelings so I visited the counseling center.

"I have always felt a groundless fear of the future. I studied hard to enter university and prepared a lot to get a job I want. I am working hard at the company I want. But when I look back, I always feel emptiness and helplessness. I don't know the reason for such feelings so I visited the counseling center.

**RE:VIVE** Creating Environment for Shared Growth

RE:VIVE is an initiative intended to vitalize circular economy, creating a healthy value chain throughout the retail circle from production to sales. LOTTE Shopping is making an effort to establish and strengthen ESG engagement by investing in companies related to second-hand item transaction and issuing ESG bonds to partners. LOTTE Shopping will continue to make active investment and support to create environment for shared growth that can satisfy various stakeholders including partners.



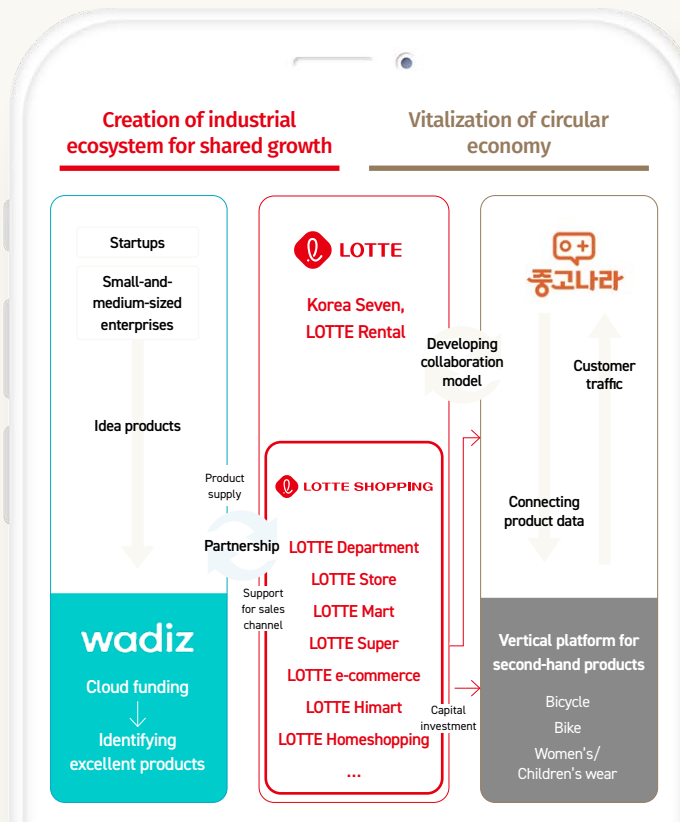
**Expanding Investment in ESG related companies to Promote Transaction of Second-hand Items and Practicing Virtuous Cycle of Resources**

LOTTE Shopping is investing in ESG related companies to promote the transaction of second-hand items and practice virtuous cycle of resources. In July 2021, it acquired shares in 'Joonggonara', the largest second-hand item transaction platform in Korea, and invested various vertical platform companies specialized in second-hand item transaction such as children's wear, women's wear and bicycle.

LOTTE Shopping has established and implemented ways to promote second-hand item transactions in collaboration with platforms in which LOTTE Shopping invested and linking it with different models in retail. We have created synergy from collaboration among platform companies by linking items in Joonggonara Platform such as children's wear, women's wear and bicycles which are actively traded on the platform and introduced non-face-to-face second-hand product trade service by signing an MOU with Joonggonara and Korea Seven in March, 2022. In addition, we are establishing collaboration model such as sales of products with short expiration date. In the future, LOTTE Shopping will explore various ways of collaboration and make active investment in relevant companies to vitalize the circular economy.

In addition, we signed an MOU with 'wadiz' a funding company in November 2021 to identify ESG related products and solidify an ecosystem where we grow together with startups and small-and-medium sized enterprises. LOTTE Shopping is implementing various

activities to identify brands and grow together with competent companies based on our various online and offline retail channels and analysis of accumulated data.



**Issuance of ESG Bonds to Establish a Win-win Ecosystem**

LOTTE Shopping issued ESG bonds worth KRW 170 billion in April 2021 for the first time in the retail industry to establish an ecosystem where we grow together with small-and-medium-sized enterprises.

The ESG bonds issued were used to provide financial support for small-and-medium-sized partners. KRW 70 billion was provided for loan at low interest rate (shared growth fund) and KRW 100 billion was used to early payment. In accordance with the Enforcement Decree of the Framework Act on Small and Medium Enterprises, we are working hard to reduce financial burden of small-and-medium sized partners which need support and increase competitiveness of those partners. We will continue to establish an ESG ecosystem where we grow together with partners by issuing ESG bonds and supporting ESG activities of our partners.

**ESG Bonds**

Bonds issued with specific purpose of creating social values such as improvement of environment, society and governance. Classified as Green / Social / Sustainable bonds depending on the purpose and standards of issuance.



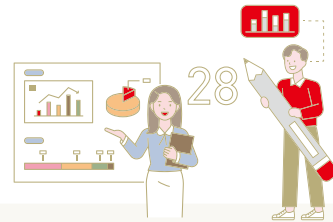
# Materiality Assessment

## Overview

LOTTE Shopping conducted materiality assessment to select key issues for ESG engagement. Materiality assessment was conducted by analyzing common interest of various stakeholders and issues with impact on the business of LOTTE Shopping based on GRI Standards, a global guideline for preparing sustainability report, ISO 26000, a standard for corporate social responsibility and UN sustainable development goals (SDGs) and issue pools and major issues were identified.



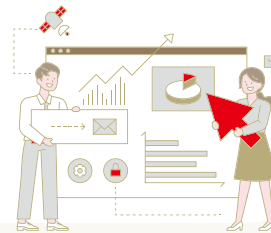
## Materiality Assessment Process



### Step 1.

#### Issue Pool

We have organized the pool of 28 potential issues based on the impact of our business activities on economy, environment and society, interest of stakeholders, analysis of international standards, benchmarking of the same industry, media research, review on internal data and interview with employees in Business Divisions.



### Step 2.

#### Prioritizing Issues

Survey on stakeholders including customers, employees, partners and community was conducted to identify the priority of potential issues in the pool. Based on the survey results, the level and impact of sustainable management of LOTTE Shopping were identified and materiality assessment was conducted based on business impact and interest of stakeholders.

### Step 3.

#### Materiality Assessment

##### Business impact

- Benchmarking for the same industry: Benchmarking the companies with excellent sustainable management and companies in the same industry
- Review on GRI Standards, ISO 26000 and UN SDGs

##### Interest of stakeholders

- Based on the results of stakeholder survey
- Media research: Analyzing 1,595 new articles published in the media in 2021



### Step 4.

#### Selection of Key Issues

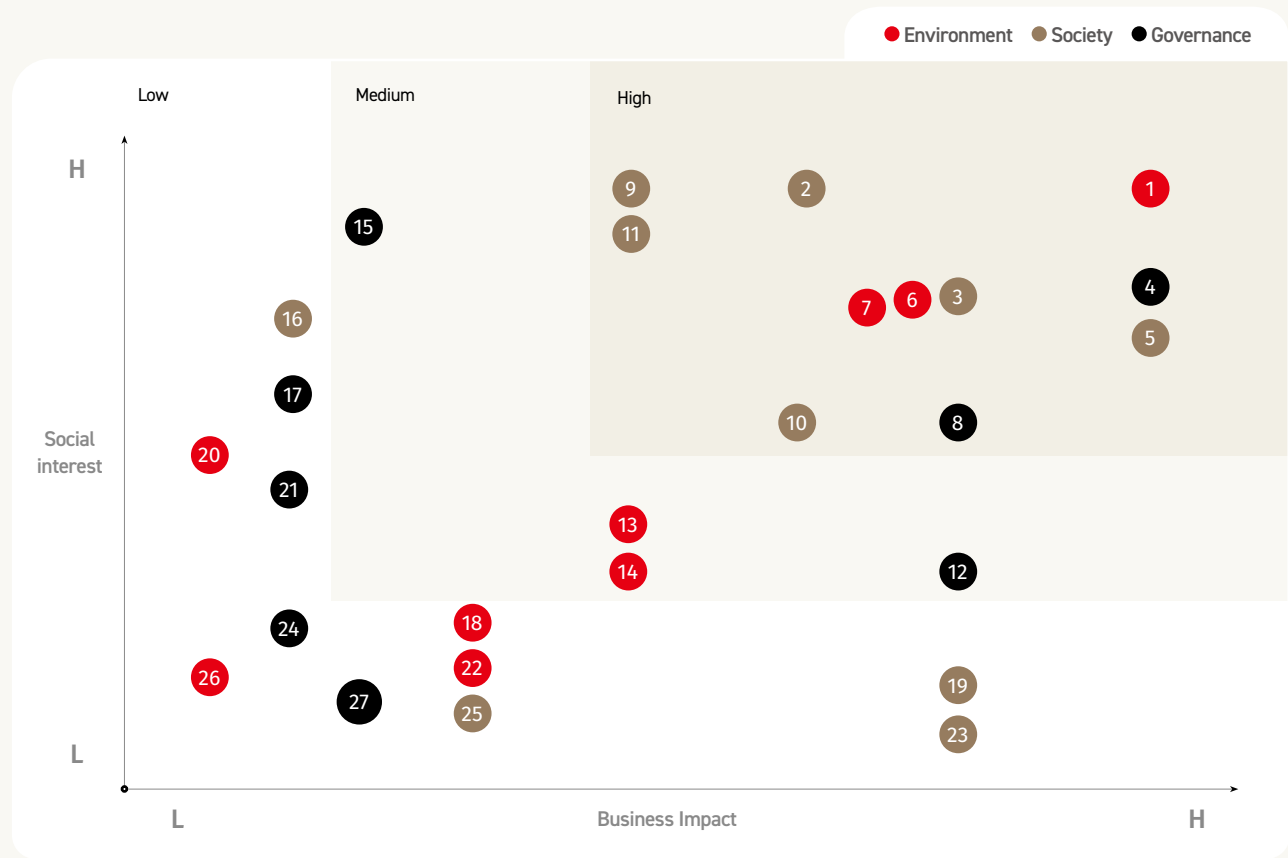
Based on economic, environmental and social indicators defined in GRI Standards, 8 issues with high interest of stakeholders presented in 'High' area in terms of materiality were identified finally and key issues were selected considering significance, scope, impact, reporting period and limitations.



## Materiality Assessment Result

Materiality assessment was conducted on 28 issues identified through internal and external analysis and 3 major issues were finally selected. Given the significance, scope, reporting boundary, reporting period and limitations, the three issues were structured in the table of content of the report. By doing so, we tried to look at the impact of ESG activities of LOTTE Shopping on environment, society and governance in a balanced way. Business relevance, approach, plans and major outcomes related to the major issues identified through materiality assessment are also reported.

No.	Major issues	Major stakeholders				Relevant page
		Employee	Partner	Customer	Community	
1	Management and reduction of greenhouse gas emissions	●	●	●	●	34, 35, 36, 37, 38
2	Strengthening policies and activities of shared growth in the supply chain		●	●	●	39, 40, 41, 42, 43, 44, 45, 46, 47
3	Human rights policy (non-discrimination, respect for diversity, etc.)	●	●	●	●	48, 49, 50, 51, 52, 53, 54



Ranking	ESG issue
1	Management and reduction of greenhouse gas emissions
2	Strengthening policies and activities of shared growth in the supply chain
3	Human rights policy (non-discrimination, respect for diversity, etc.)
4	Prevention of unfair treatment and corruption
5	Spread of safety culture at business sites
6	Improvement of energy consumption efficiency
7	Management of water use and minimization of waste water discharge
8	Information security
9	Employees' health management
10	Employees' competency development
11	Strengthening Labor-Management Communication
12	Tighten the Board's control over sustainability issues
13	Waste Management and Circular Economy
14	Reducing Pollutant Generation
15	Soundness of governance structure

# [Special Feature] Sustainable Business

## Department Store

### Establishment of 'Art Content Office' to expand cultural projects

LOTTE Department Store established Art Content Office in September 2021 to direct art business in the mid-to-long-term and diversify cultural experience of our customers. Art Content Office plays the role of incorporating the values that have been pursued by LOTTE into customer experience in the context of culture and art.

Art Gallery Team under the Art Content Office held <Rejoice>, an exhibition that was intended to support happy life of women, in March 2022 on the occasion of the International Women's Day under the theme of RE:JOICE, that is an ESG program representing LOTTE Shopping.

Under the common theme of 'Art and Women' 8 exhibitions were held in 5 branches: Main Store (Bulletproof, Still Life, Rising Names), Jamsil Store (Abstract Facial Expression), Dongtan Store (Be You!, Drawing Dreams), Incheon Store (Greenery, Twinkling, Fluffy) and Gwangju Store (Daily Embroidery).

Art Content Office will continue to provide valuable customer experience with various cultural contents and implement <Rejoice> exhibition that celebrate the Women's Day as an annual regular program.



## Mart

### Renewal of ZETTAPLEX, where you can find everything you want



LOTTE Mart reopened existing Jamsil Store as ZETTAPLEX in December 2022. ZETTAPLEX is a flagship store that presents the new vision of LOTTE Mart with a concept 'you can find everything you want', boasting the largest area of 14,200m<sup>2</sup> as LOTTE Mart store. It is a new shopping space with strengthened collection of wine, living, pet and grocery, customer-centric experience-based stores and ESG elements.

#### BOTTLE BUNKER

BOTTLE BUNKER store at ZETTAPLEX is the largest wine store in Korea with an area of 1,320m<sup>2</sup>, where 4,000 kinds of wines are sold. Tasting Tab is arranged so that visitors can taste 80 kinds of wine. Employees propose wine depending on occasion and taste of customers so that even wine beginners can be easily familiar with wine.

#### Refill Station

ZETTAPLEX runs a Refill Station where customers can purchase products by putting them into recyclable refill containers. Even when customers do not have refill container, they can put the products in the paper bags placed in the store. Refill products are sold at 20% discounted price, promoting shopping in a eco-friendly and economic way.

#### Eco-friendly Aquaponics

ZETTAPLEX introduced aquaponics, an eco-friendly farming method for the first time in the retail industry. Aquaponics is a way of harvesting crops by raising crops and fish together. Plants are hydroponically grown using organic matter generated from raising fish and the water is returned to use for raising fish. By doing so, we provide healthy products without wasting resources.

## Super

### Launching of Smart Farm Brand ‘Tomorrow’s Farm’

In April 2022, LOTTE Super launched its smart farm brand ‘Tomorrow’s Farm’ for the first time in the domestic retail industry to differentiate fresh food products. As suggested in its slogan “Cleaner and Fresher from Smart Farm”, the goal of Tomorrow’s Farm is to provide customers with fresher and safer food.

A smart farm is a high-tech farm that automatically controls the growth environment of agricultural, fishery, and livestock products using the Internet of Things and Big Data. As the COVID-19 pandemic gets prolonged, customer demand for healthy and safe food has increased. Smart Farm would enable the Company to supply healthy food to meet this demand.

Considering customer’s high consumption, eggs are selected to be the first product of Tomorrow’s Farm, and the ‘First Antibiotic-free Egg’ (15 eggs, large size) was launched in collaboration with the cutting-edge smart farm ‘Ganong Bio Co., Ltd.’. Ganong Bio creates an optimized poultry farming condition utilizing Big Data for chickens to produce excellent egg products. In particular, ‘Full Cold-Chain System’, which automates the entire process from laying eggs to the final product packaging, improves the safety and freshness and thoroughly prevents from external contamination by never going through a human hand until reaching consumers.

The Company plans to continuously launch and expand the range of fresh produce such as mushrooms, green vegetables, cherry tomatoes and others under Tomorrow’s Farm brand for safe food choices for consumers.



## E-Commerce

### Operation of Shared Growth Platform for Small-sized Brands

LOTTE E-Commerce operates a platform ‘Meet New Friends of LOTTE ON’ where the Company introduces small and medium-sized brands to grow together in the future.

The platform targets and promotes unrecognized small-sized brands with good quality products. The Company supports the brands based on the recommendation from its Sales team, and promotes their storytelling, product information, discount events, reviewer events, and customer comment events, to provide an opportunity to become a middle-class brand, while customers can enjoy the benefits from such promotions.

First launched in February 2022, the co-prosperity platform introduces 8 brands in the second week of every month. The brands participating in the promotion have achieved a remarkable increase in sales. The total transaction amount of the participating brands significantly exceeded the target. Through this promotion, the Company expects to provide small and medium-sized enterprises with an opportunity to increase sales in the short term and to create growth engines through brand promotion in the medium and long term.

<b>Total number of participants</b>	34 companies
<b>Transaction volume growth rate</b>	Average 300% (MoM)



# Material Highlights

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## Material Issue 1

— Greenhouse Gas Emission Management and Reduction

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## Material Issue 2

— Sustainable Supply Chain

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## Material Issue 3

— Human Rights-oriented Management

55

[Special Feature] Response to COVID-19

## Focusing on Major Issues to

## Maximize ESG Management Efficiency

As a leading retailer in Korea, LOTTE Shopping has prioritized and focused on major issues to maximize the performance and effectiveness of ESG management.

Accordingly, the company-wide effort was exerted to create meaningful results in management and reduction of greenhouse gas emissions, building a sustainable supply chain, and human rights management.



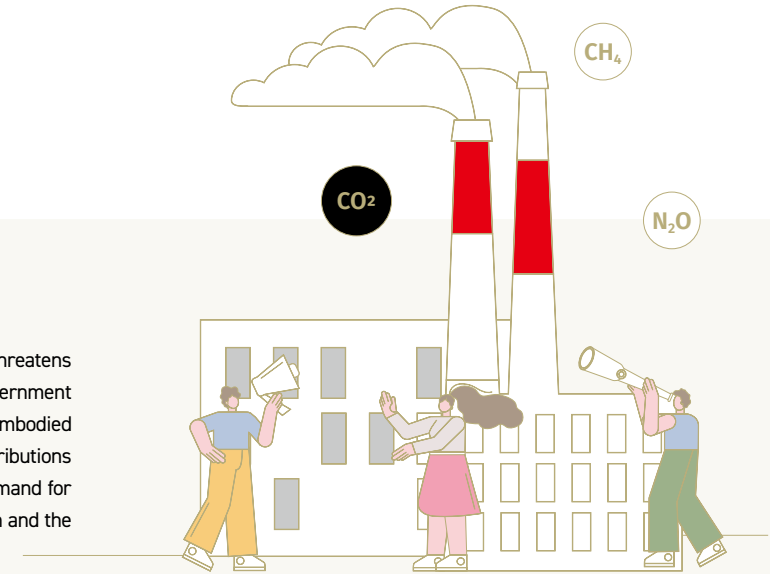


# Material Issue 1 Greenhouse Gas Emission Management and Reduction

## Management Approach

### The Materiality of the Issue

Climate change attributed by greenhouse gases (GHG) is no longer a problem for a single country or country, but a global problem that threatens the survival of humankind. The materiality of the issue is increasing day by day. In order to respond to climate change, the Korean government has enacted the Framework Act On Carbon Neutral in 2021, which was enforced in March 2022, and its '2050 Carbon Neutral Vision' is embodied in the legislation system. Accordingly, '2050 Carbon Neutrality' has been declared as a national vision, setting Nationally Determined Contributions (NDCs) level to 40% by 2030 compared to 2018. While domestic regulations on GHG emissions will continue to be strengthened, global demand for mid to long-term GHG reduction in response to climate change is intensifying, such as the EU's review on the introduction of carbon taxation and the increase of multinational corporations joining the RE100 campaign.



### Main Activities in 2021

#### Building infrastructure for GHG reduction

Energy efficiency in business sites

- ① Replace with high-efficiency LED
- ② Replace old equipment(boiler, refrigerator, water heater/cooler)

Expanded operation of solar power plants and EV stations

#### Cooperation to reduce carbon emissions

Signed an agreement with an energy specialist (Kepco Energy Solution, Korea Energy Corporation)  
Participated in the social agreement for the 2040 carbon neutrality implementation (LOTTE Mart/LOTTE Super)



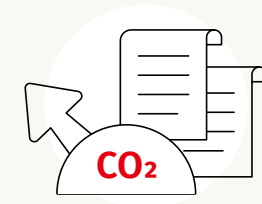
### Key Achievements in 2021

**12.5% reduction in GHG emissions compared to 2018**

#### Operation of 87 solar power plants

6.1GW of electricity production and 2,802 tons of GHG reduction effect

**Sales of 35,000 tons of Carbon Offset Credits**



### Goals and Plans for 2022

#### Establishment and declaration of Carbon Neutrality Plan 2040

Establishment of annual carbon reduction goals and action plans

(Target for 2030: 35% reduction compared to the emission level in 2018)

Declaration of NET-ZERO Carbon by 2040

#### Expansion and adoption of renewable energy

Adoption of renewable energy system as third-party PPA, self-generation, etc.

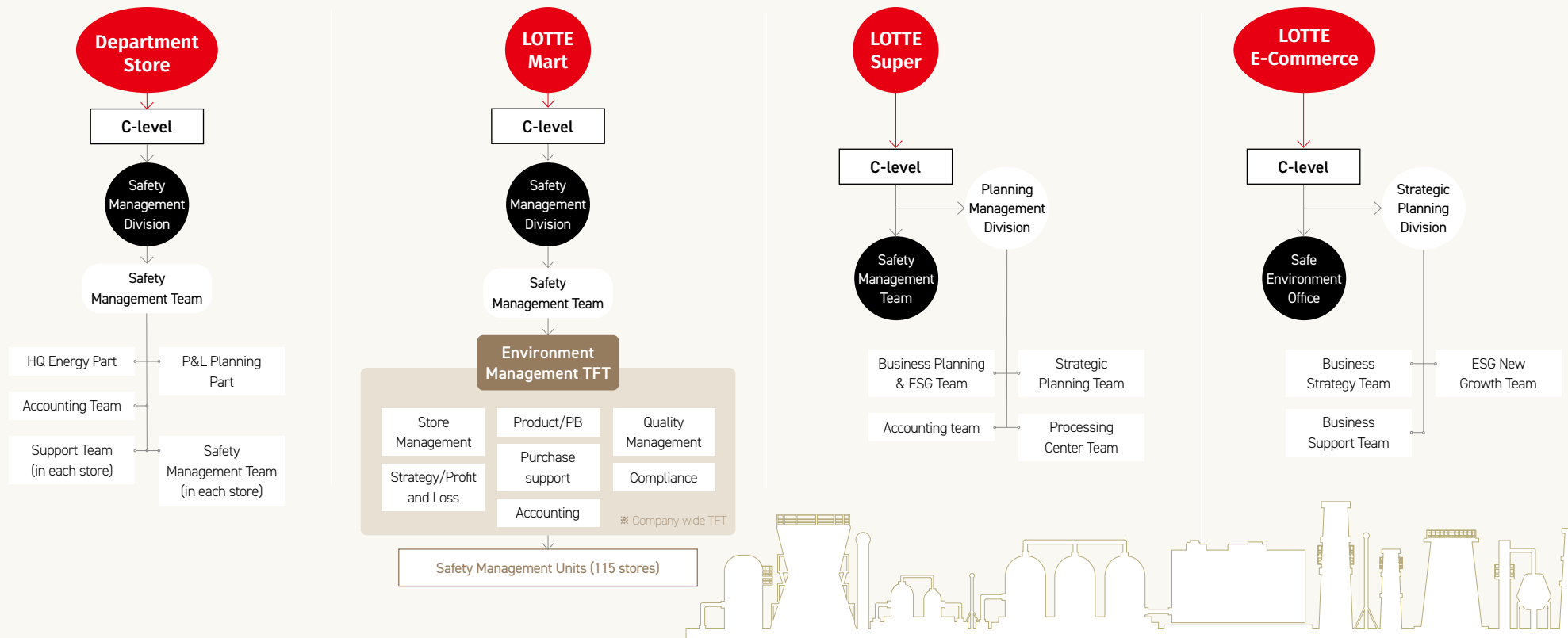
## Greenhouse Gas (GHG) Emission Management

LOTTE Shopping systematically manages greenhouse gases by organizing environmental managing units for in each Department Store, Mart, Super, and E-Commerce Business Division, and continues to foster environment experts especially in Department Store and Mart Business Divisions which generate more emissions. In addition, the LOTTE Environment & Energy Total Service (LETS) enables to monitor and manage GHG emissions and energy/water consumption. The Company also systematically manages and analyzes the environmental factors by setting environment management goals and continuously monitoring the status of GHG and energy savings at all business sites.

## Environment Management Unit

In order to systematically manage the environment, the Company has formed an environment management unit for each Business Division to clearly set the task details for each Business Division and dedicated personnel to manage environmental risks such as greenhouse gas, water, and waste. In particular, Department Store and Mart, which generate more GHG than other Business Divisions, have elevated their environment management teams to division level to reinforce their environmental risk management.

Organizational Structure for Environment Management



### LOTTE Environment & Energy Total Service (LETS)

LETS is LOTTE Group's integrated environmental energy management system built by LOTTE Holdings. LETS records and evaluates environmental load reduction activity plans and performance with regard to environment management, GHG, water quality, air pollution, waste, energy saving, water use, ISO certification, plastic waste, and others. LOTTE Shopping records the monthly GHG emissions of all business sites in the LETS system, sets annual targets, analyzes the reasons for the increase or decrease, and upgrades the GHG reduction system through external inspection and verification by LOTTE Holdings.

### Nurturing Competent Environmental Experts

LOTTE Shopping is actively encouraging environmental managers to acquire GHG management engineer's license and various other energy-related certifications, to continuously nurture environmental experts.

License Type	Total	Department store	Mart
GHG management engineer / GHG management industrial engineer	15	13	2
Other licenses related to the environment	10	3	7

### GHG Emissions Trading Schemes

Since the government implemented the Greenhouse Gas Emissions Trading Schemes in 2015, LOTTE Shopping has continuously reduced its emissions every year and created a surplus compared to the assigned quota. The Act on The Allocation and Trading of Greenhouse-gas Emission Permits (enforced on June 7, 2019) initiated mandatory sales of reduced greenhouse gas emission rights, and LOTTE Shopping sold 35,000 tons of GHG reduction in 2020.

Status	2015	2016	2017	2018	2019	2020	2021(e)
LOTTE Shopping Quota	860,971	842,554	819,895	809,185	707,966	679,878	770,535
Emissions	806,687	833,836	849,398	801,340	744,228	672,199	679,969
Sales Amount	0	0	177,640	30,462	35,347	35,604	22,729

\* Emissions include Scope 3.

### ISO Certification

\*Acquired first time in 2018 for Department Store, in 2019 for Mart, and in 2020 for E-Commerce

Department Store and Mart Business Divisions have acquired and maintained ISO 50001, an international standard that certifies energy efficiency improvement and reduction activities are being carried out in an integrated and systematic manner, and the certified business sites are managed in accordance with international standards. Furthermore, the E-Commerce Business Division has acquired ISO14001 certification, an environment management system, to establish an eco-friendly operating system and to practice eco-friendly management.

### GHG Emissions Status

LOTTE Shopping had been voluntarily improving energy efficiency prior to the government's 2010 Energy Management Target Project was implemented. The GHG emissions reduced from the Company's offline stores through its environmental activities reached 9.9% in 2020 compared to the previous year.

Type	2018	2019	2020	2021(e)
Direct GHG Emissions (Scope 1)	83,201	70,942	56,104	61,094
Indirect GHG Emissions (Scope 2)	677,071	632,411	577,281	583,114
Other indirect GHG emissions (Scope 3)	41,068	40,875	38,815	35,761
Total (Scope 1 + Scope 2 + Scope 3)	801,340	744,228	672,199	679,969
GHG emission intensity (tCO2eq/KRW 100 million)	8.1	7.7	7.7	8.1

\* Including emissions from LOTTE Cinema in 2018



## Greenhouse Gas Reduction Activities

Recognizing that climate change has a significant impact on the business environment, LOTTE Shopping has established sustainable infrastructure to reduce GHG emissions. Solar power generators are installed in the unused space in stores/distribution centers, and more electric vehicle charging stations are built to enhance customer convenience and to transform as green stores. In addition, many other eco-friendly activities are being carried out to reduce GHG emissions, such as improving energy efficiency by replacing with high-efficiency LEDs.

## Installation of Renewable Energy Facilities

In order to expand the introduction of renewable energy use, LOTTE Shopping has installed more solar power generation facilities in idle spaces such as rooftops and parking lots. Since its first installation in LOTTE Mart Pyeongtaek Store in 2009, the Company currently produces 6.1GW of electricity per year.

With the expansion of Green Stores, the Company contributes in the transition into a low-carbon society and pursues its environment management vision.

Number of Green Stores	
Mart	55

## Promotion of Energy Reduction Activities

The Company invests in a variety of technologies to improve energy efficiency, such as LED lighting, inverter facilities, descaling plates of freezers, water heaters and coolers, etc. Meanwhile, the Company scales up and plans out its energy saving activities in detail to reduce energy consumption.

### Reinforcement of Department Store's Energy Management

- Daily Electricity Consumption Management**  
KEPCO's i-smart system is used to share electricity usage (in a 5-day unit) with all stores.
- On-site Energy Support**  
Check the store lighting and showcase before opening time, and check if lighting/automatic control system complies with the management schedule, and provide guidance accordingly
- Energy-saving TFT Operation**  
Promote energy saving by operating an energy saving TFT and designating an energy-saving manager for each section of department stores
- Electricity Demand Management Program**  
Manage electricity consumption through participation in government-implemented electricity demand management program and carry out the corresponding activities  
Prompt response by analyzing causes and find countermeasures through monthly energy performance management

## Introduction of Electric Vehicle (EV) Charging Stations

LOTTE Shopping is installing more EV charging stations to contribute to carbon emission reduction and to respond to the growing demand for electric vehicles. Starting with the Department Store Daegu Store in 2017, a total of 424 EV charging stations are currently under operation in 163 stores as of 2021. The Company will continue to expand EV station operation along with promotions and services in connection with LOTTE Members (car rental, etc.) to encourage the use of EV.

Type	Number of Stores	Completed Installation	Planned Installation
Mart	106	240	762
Department Store	57	184	1,486

## Cooperation for Energy Saving

On June 28, 2021, Mart and Super Business Divisions signed a "Social Agreement" for energy conservation with the Ministry of Trade, Industry and Energy to respond to climate change including GHG reduction. Since the declaration of the agreement, the Company has been actively participating in energy efficiency projects through different types of LED investments.

In particular, the Mart Business Division signed an MOU with KEPCO Energy Solutions, a subsidiary of KEPCO established under the purpose of energy efficiency and GHG reduction, and replaced LED lighting fixtures in 94 Mart stores with ultra-high-efficiency LEDs by February 2022. A total of 8,086 MWh/year of energy is expected to be saved from the project.



## Mid-to-long-term Strategy for Responding to Climate Change

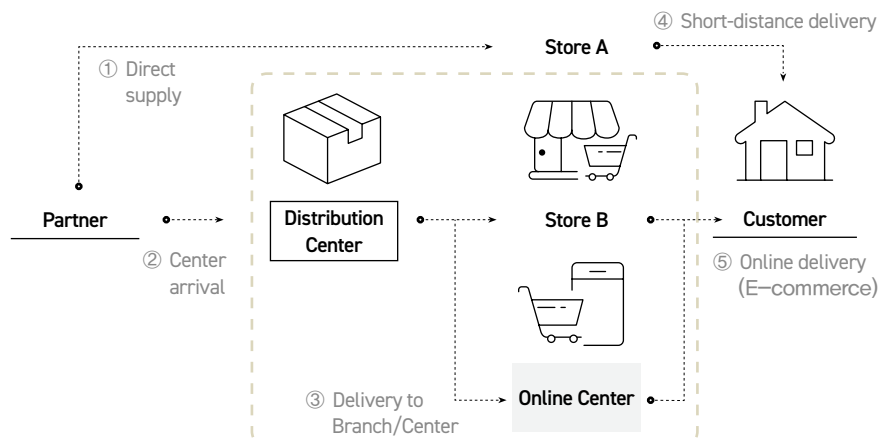
LOTTE Shopping is establishing mid- to long-term strategies to actively respond to climate change risks and to pursue the same goals under clear plans throughout all Business Divisions. In particular, in order to realize the eco-friendly vision of the LOTTE Group's 'Carbon Neutral 2040', the Company establishes a sustainable eco-friendly system, taking measures for energy efficiency in the short term and expansion of renewable energy and eco-friendly businesses in the mid- to long-term.

### Scope 3 Emissions Measurement

LOTTE Shopping is striving to reduce GHG emissions in all retail stages by measuring both direct/indirect emission sources, and plans to measure Scope 3 emissions with partner companies. LOTTE Mart and LOTTE Super have been measuring the amount of emissions in the delivery and logistics phases from distribution centers to each store since 2018 in cooperation with logistics partners, and they are managing logistics vehicles to operate on the optimal route. E-Commerce Business Division is also collaborating with LOTTE Global Logistics to ensure efficient delivery by measuring the mileage of online order delivery vehicles and to make sure each delivery vehicle driving on the optimal route.

Furthermore, LOTTE Mart is preparing to launch Korea's EPD-certified PB products in 2022, a certification given to products that calculate environmental impact in the entire product life-cycle. LOTTE Shopping expects to expand continuously the range of GHG emissions measurement in the product/production stage.

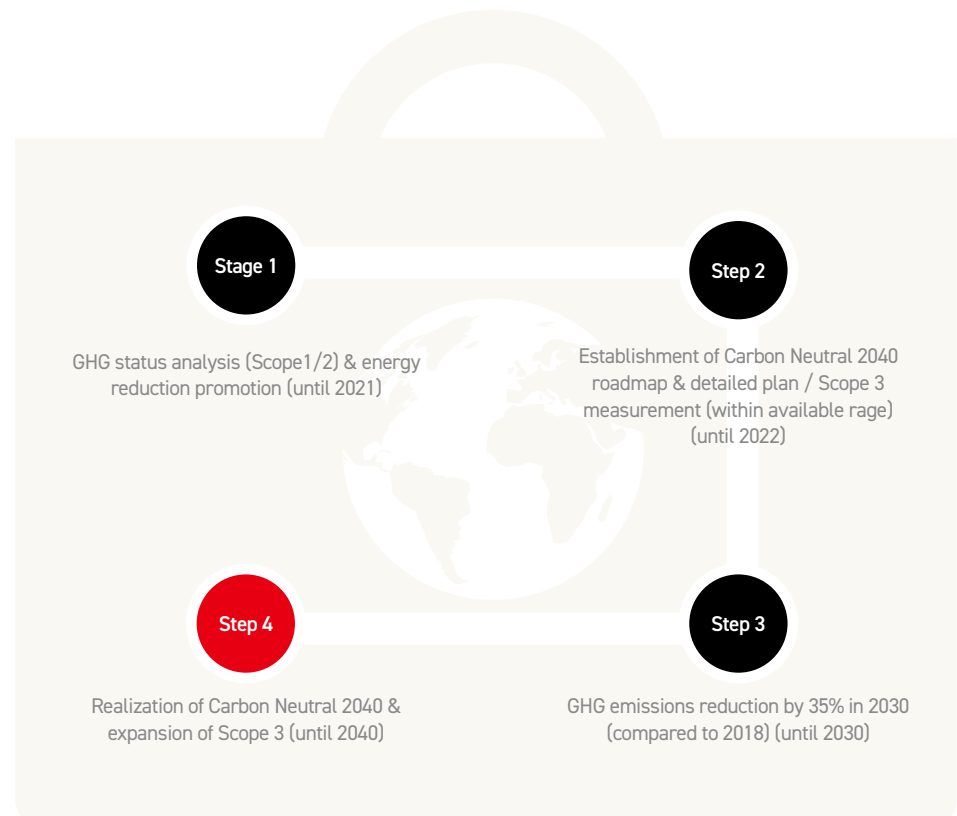
#### Logistics Stage



Type	2018	2019	2020	2021(et)
Other indirect GHG emissions (Scope 3)	41,068	40,875	38,815	35,761

#### Acquisition plan for Environmental Product Declaration (CFP) Certification Mark in 2022

Item	2022	Details
CFP Certification Mark	4 SKUs	Choice L Save Water ECO / 2 SKUs Only Price Mineral Water ECO / 2 SKUs

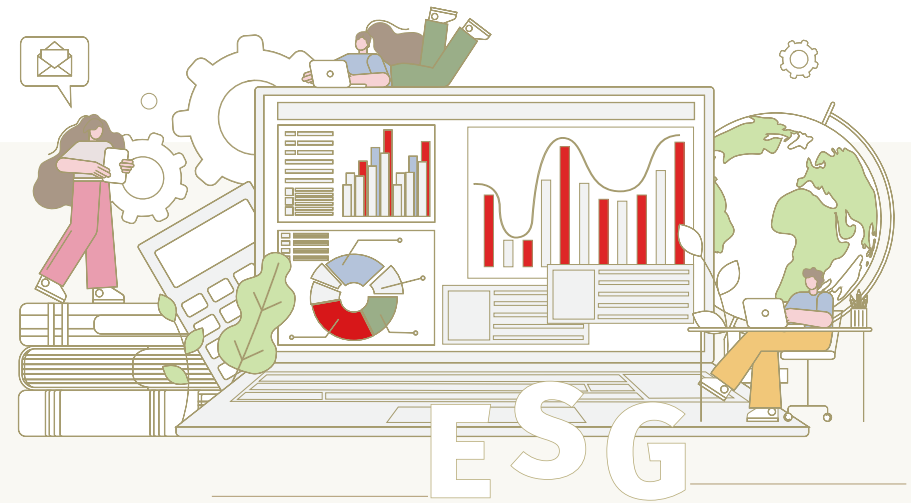


## Material Issue 2 Sustainable Supply Chain

### Management Approach

#### Materiality of the Issue

The materiality of the ESG management issues are expanding beyond the scope of individual companies and now reaching to partner companies and supply chain. With the increased risks in the global supply chain, responsible ESG management of supply chain has become an essential part for shared growth based on strengthening services and products and maintaining good business relationships. As the California Transparency in Supply Chains Act in the U.S. and the new EU Due Diligence Law come into effect, the supply chain ESG is being emphasized internationally and its importance is growing.



#### Main Activities in 2021

##### Supported partners' ESG engagement

Supported online training and consulting on ESG engagement

##### Issued ESG bond for partners

(Issue amount: KRW 170 billion)

##### Conducted Fair Trade Training for all employees and employed 8 elements of the Compliance Program

Published the Fair Trade Handbook and have the Daily Quiz



#### Key Achievements in 2021

##### 83 partners participated in ESG online training, 15 in ESG consulting

##### ESG bond utilized for partner financial support

(KRW 70 billion for low-interest loans, KRW 100 billion for earlier payment to help cash flow)

##### Received the Excellent-grade company in the Shared Growth Index (Department Store, Mart, and Super)

\*Evaluated 2021 and 2020 as of 2020



#### Goals and Plans in 2022

##### Expand consulting on ESG engagement and online training for partners

##### Continuously provide financial support to partners

##### Introduce ESG self-assessment questioner and establish/distribute Code of Conduct for LOTTE Shopping partners.

## Establishment of ESG System in Supply Chain

Partners are important stakeholders in LOTTE Shopping's sustainability management. In order to share our direction of ESG engagement and to manage supply chain risks and opportunities, the Company is carrying out various activities for enhancing the ESG capabilities of our partners. LOTTE Shopping has made a self-assessment questionnaire for its partners to check their ESG level, provided ESG online trainings, and established an ESG supply chain system that works with the partners through various shared growth programs.

LOTTE Shopping is managing the supply chain under the goal of establishing an ESG system for all partners involved in the value chain, taking the entire process from production to distribution of partners as the scope of supply chain management.

## ESG Self-Assessment Questionnaire for Partners

LOTTE Shopping has created an ESG self-assessment questionnaire for business partners to minimize risks that may occur in the supply chain. Partners can voluntarily self-check their ESG level in all ESG areas, including ethics, human rights, environment, and safety, through the self-assessment questionnaire (total 29 questions in 4 sections). LOTTE Shopping plans to actively respond to the ESG risks of its partners in the future based on their self-assessment results

ESG Assessment Criteria for Partners



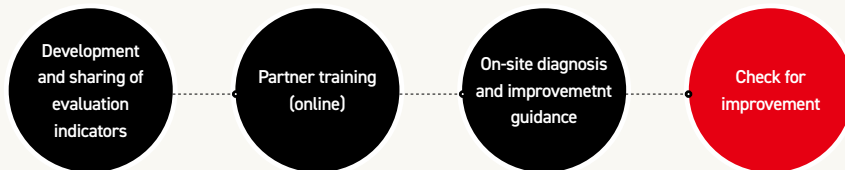
Classification	Ethical Management	Human Rights Management	Environment Management	Safety Management
Criteria	Violations of the Fair Trade Act	Violations of the Labor Standards Act	Violations of environmental laws/regulations	Violations of the Occupational Safety and Health Act
	Violations of the Subcontract Act	Working hours management	Energy use	Status of industrial accident rate
	Violations of the Personal Information Protection Act	Overtime agreement	GHG emissions (Scope 1 & 2)	Regular evaluation on work environment
	Operation of Code of Ethics and Code of Conduct	Statutory holiday	Waste management	Occupational accident risk assessment
	Ethics issue reporting channel	Social insurance	Hazardous substance management	Mandatory safety gears/equipment
	Operation of IP protection procedures	Humane treatment	Water management	
	Reasonable disciplinary procedure & disclosure	Enforcement of human rights regulations		
	Anonymity in reporting ethical issues	Grievance handling		
	Privacy policy	Anti-discrimination		

### ESG Training and Support for Business Partners

LOTTE Shopping has opened an online training platform to strengthen ESG and job competencies of its partner companies' executives and employees, and provided training on ESG theory and practice, revised tax laws, and others to 83 partner companies. In addition, the Company's Shared Growth Committee provided an ESG consulting service to the selected 15 partners in cooperation with specialized ESG consulting company, and supported them to improve the vulnerabilities discovered from on-site inspection based on the ESG guidelines. The Company will continue to support its partner companies through the ESG training programs and consultation for their ESG management expansion.



#### ESG Consulting Process



### Partner's Code of Conduct

Under the banner of ESG management, LOTTE Shopping has established the Code of Conduct for its business partners to create sustainable growth and social value through ESG management. The Code of Conduct describes the background and rationale in the preface, and requests its partners to comply with the Code in terms of the environmental protection, respect for human rights, safety management, compliance/ethics management, and management system. The Company would present the Code of Conduct to the committee to further develop it for business partners.

#### Environmental Protection

- A. Compliance
- B. Environmental impact review
- C. Climate crisis response
- D. Virtuous cycle of resources
- E. Water resource management
- F. Air pollution and hazardous chemical management

#### Respect for Human Rights

- A. Compliance with labor laws
- B. Non-discrimination
- C. Wage & welfare
- D. Working hours management
- E. Humane treatment
- F. Freedom of association
- G. Protection of young workers
- H. Prohibition of forced labor

#### Safety Management

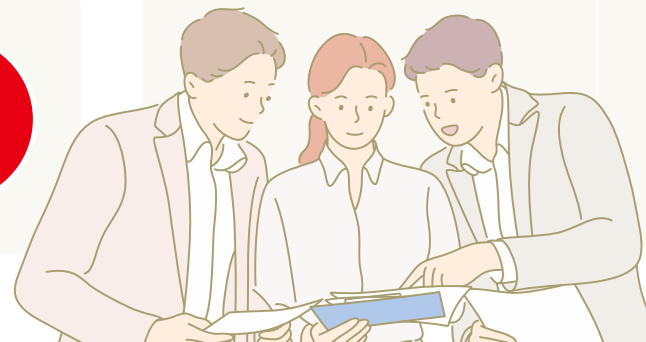
- A. Compliance
- B. Safety diagnosis
- C. Establishment of safety management system
- D. Safety training

#### Compliance and Ethics Management

- A. Prohibition of illegal interests
- B. Enhancing management transparency
- C. Prevention of unfair trade
- D. Compliance with the Subcontracting Act
- E. Protection of personal information
- F. Protection of IP rights
- G. Reporting of unethical issues & protection of identity

#### Management System

- A. Declaration of sustainable management
- B. Sustainable management program
- C. Risk management





## Shared Growth with Partners

In the belief that co-prosperity is a driving force for sustainable growth, LOTTE Shopping supports its business partners in a practical way aiming for mutual growth.

LOTTE Shopping was the first in the industry to declare fair trade compliance and introduced related programs in 2001. LOTTE Shopping is continuing its various efforts to build a cooperative system with business partners for co-prosperity,

such as holding the 'LOTTE Department Store Convention'. The Company runs various support programs and benefit provisions, such as 'Dream Plaza (2014~)', the industry's first SME business center to support the market of SMEs together with the Korea Federation of SMEs (KBIZ), 'Overseas Market Development Team (2016~)' to support overseas market development, and 'Healing Camp' for communication with SME partners. Partners

of LOTTE Shopping can receive financial support through the 'Mutual Growth Fund/Finance', and directly or indirectly receive support for management and welfare through the 'Agreement on Wage Inequality Reduction through Mutually Beneficial Cooperation' between Large and Small-Medium Enterprises.

### Support Programs & Operation Status



Financial Support

#### Maintaining business stability and smooth cash flow of partners through financial support

- **Mutual Growth Finance:** Directly provides interest-free finance to partner companies in case of emergency (size: KRW 100 billion)
- **Mutual Growth Fund:** Provides preferential interest rates for partner companies' bank loans (size: KRW 115 billion)



Go-to-Market (GTM) Support

#### Support for partner companies to develop new markets and advance into overseas markets

- **Dream Plaza (SMEs Co-prosperity Center):** LOTTE Shopping established the 'SMEs Co-prosperity Center (since 2014)' was established for the first time in the retail industry to support the sales channels of SMEs. Labor, promotional, and other expenses are supported for those who joined the center.
- **Special Exhibition for SMEs (E-Commerce):** LOTTE On holds promotional exhibition for small and medium business (since 2021). 18 exhibitions were held in cooperation with Korea Productivity Center, KBIZ, Small and Medium Business Distribution Center, and other public institutions (sales amount: KRW 7.68 billion)
- **Overseas Market Development Delegation:** The Company runs a support program for SMEs in developing overseas markets using its overseas branches in Vietnam and Indonesia (since 2016). Export enterprise academy (customers consulting, local market lectures, etc.), local one-on-one business meetings, and local logistics trend research service are also provided.



Management Support

#### Performance sharing & welfare support

- **Performance sharing:** The Company implements the "Performance Sharing Program" to share results earned from the cooperation between the large enterprise and SMEs.
- **Welfare benefits:** Labor Day gift to partner companies, partial support for lunch expenses for store employees/service staff, etc.



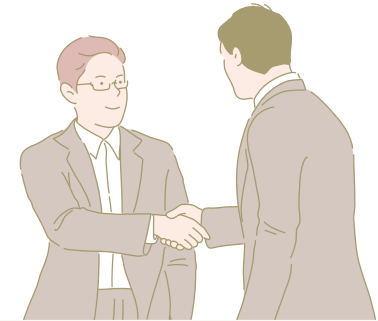
Training Support

#### Support of job-specific training programs to strengthen the hands-on competencies of partner companies' executives and employees

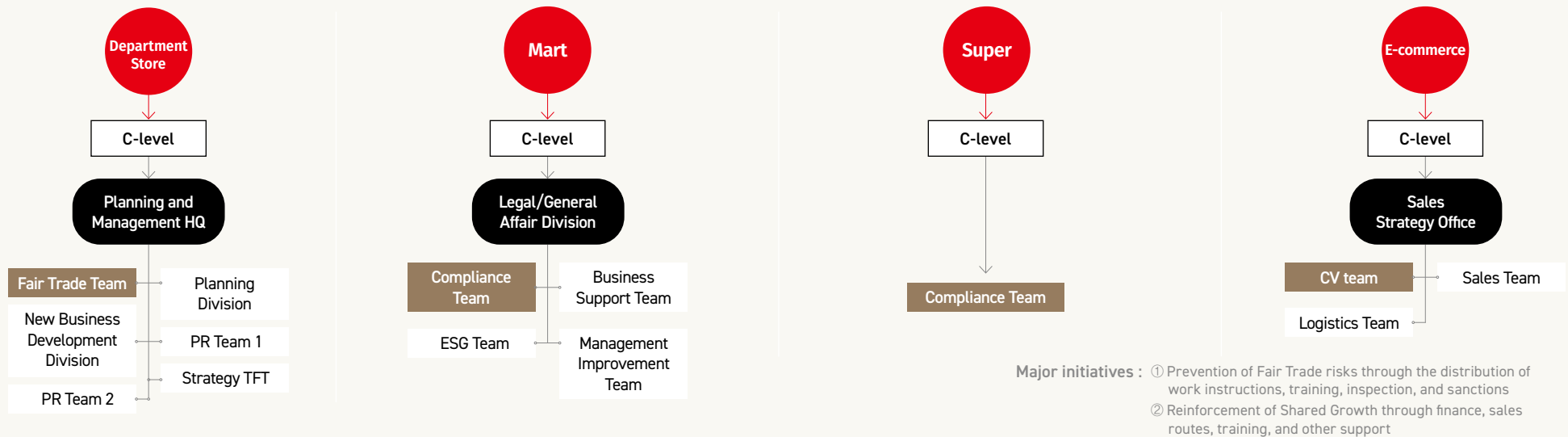
- **Consulting service:** The Company provides ESG competency diagnosis and improvement consulting, and big data consulting for marketing/product development of SME partners in cooperation with LOTTE Members
- **Customized training:** Hygiene diagnosis and related training for partner food producers, latest trend/job-tailored expert training, 'Healing Camp', within each product group (2-3 times/year)

## Fair Trade System

As a retailer LOTTE Shopping runs business with various partners, and works tirelessly to prevent unfair transactions in the course of such process. The Company operates the Compliance Program (CP) to prevent violations of the Fair Trade Act in advance, and establishes compliance consciousness among the employees.

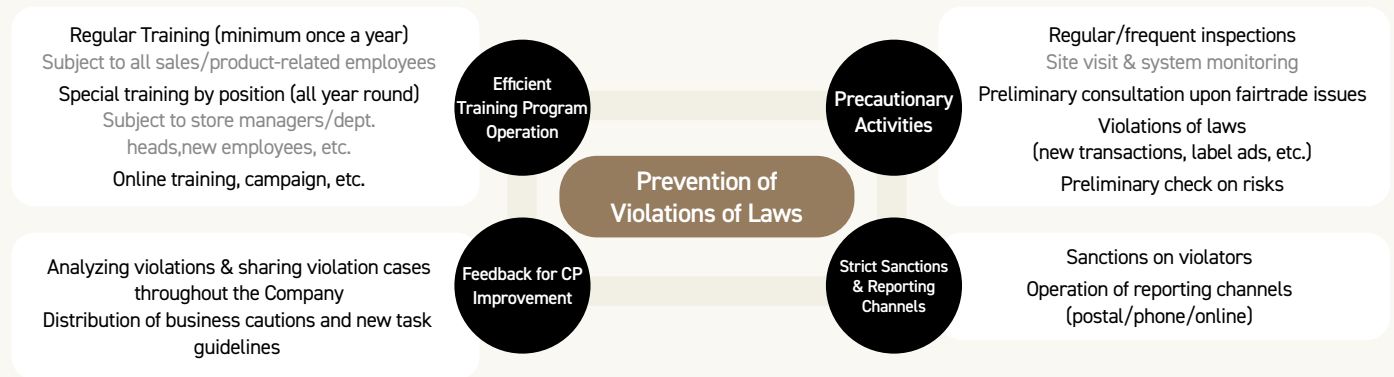


### Organization Chart



## Main Activities to Strengthen Fair Trade

LOTTE Shopping provides training to all executives and employees to prevent violations of the Fair Trade Act. The Company makes efforts to minimize fair trade risks by distributing fair trade guidebooks and conducting regular/ad hoc inspections.



## Establishment and Operation of Fair Trade Compliance Program (CP)

Compliance management is the most basic element to realize sustainable corporate management based on the trust and shared growth of partners and customers. LOTTE Shopping is conducting voluntary fair trade compliance activities through effective training, monitoring, sanctions, and feedback to comply with all fair trade laws and maintain law order.

### Establishment of Fair Trade Compliance Program

LOTTE Shopping has established a voluntary fair trade compliance program to solidify the foundation for sustainable corporate management by ensuring that its employees comply with fair trade laws and fulfill its corporate social responsibilities through shared growth with partner companies.

The Company revises internal regulations on fair trade by reflecting changes in the legal environment and system, and prevents management risks by providing regular training to employees.

Furthermore, the Company has strengthened internal monitoring framework by conducting frequent monitoring and operating reporting channels, and has prepared a system that can respond expeditiously and systematically to illegal activities through prevention of recurrence, establishment of work manuals, and operation of the Sanctions Committee.

### What is the Fair Trade Compliance Program (CP)?

As an internal compliance system to comply with fair trade-related laws, it provides a basis for preventing violations of the relevant laws/regulations in advance and for establishing a law-abiding consciousness among employees through a clear Code of Conduct.

### LOTTE Shopping's Declaration on Compliance Management

One, we shall faithfully comply with domestic and foreign laws and internal regulations in conducting the Company's business and we shall not engage in illegal activities under any circumstances.

Two, we shall recognize all partners as our companion for mutual growth, and we shall strive to establish a fair trade culture.

Three, we shall actively participate in the Company's compliance management practices, innovate business practices, and strive to fulfill our corporate social responsibilities.



8 Initiatives under Fair Trade Compliance Program

Initiatives	Details
1 <b>Establishment and implementation of CP standards and procedures</b>	<p>Quarterly fair trade campaign for all employees (in 2021) &amp; Fair Trade Daily Quiz (in 2021)</p> <ul style="list-style-type: none"> <li>Issued daily quiz with explanations, provided supplementary explanations for most wrong-answered questions, rewarded employee/team with high scores</li> </ul> <p>Fair Trade Handbook publication and distribution (June 2021)</p> <p>Operation of company rules and business guidelines for fair trade compliance (in 2021)</p> <ul style="list-style-type: none"> <li>Distributed the fair trade guidelines related to merchandising (store-in/out/relocation) (January and July 2021)</li> <li>Provided business rules for each risk area for Lunar New Year holidays (January 2021)</li> <li>Provided Fair Trade Commission's guidance on co-prosperity measures (February 2021)</li> <li>Provided guidance related to written notice to partners regarding a contract termination due to store closing (March 2021)</li> <li>Fair Trade Letter Notice (April 2021)</li> <li>Provided guidance of on-site fair trade guidelines for partner companies' employees (June 2021)</li> <li>Provided guidance of on-site fair trade guidelines for brand interior construction (July 2021)</li> <li>Provided notice on marking and advertising related tasks (September 2021)</li> <li>Provided guidance of on-site fair trade guidelines on sales rep dispatch (September 2021)</li> </ul> <p>ISO 37001 certification (September 2021)</p>
2 <b>CEO's support for self-compliance</b>	<p>LOTTE Shopping CEO's declaration of compliance for management (May 2021)</p> <p>Sharing the CEO message (CEO of LOTTE Shopping and LOTTE Department Store Business Division)</p> <p>The pledge of compliance and ethical management signed by all executives and employees (January 2021)</p> <p>Reflection of fair trade evaluation results in store KPI evaluation (January 2021)</p> <p>Establishment of annual budget plan related to voluntary fair trade compliance (January 2021)</p>
3 <b>Appointment of compliance manager</b>	<p>Appointment of department store's compliance manager &amp; resolution of the BOD (September 2019)</p> <p>※ No changes as of the current term</p> <p>Stipulation of guaranteed responsibility and rights of voluntary compliance managers related to fair trade rules</p> <p>※ Article 5 (Appointment of Voluntary Compliance Manager) and Article 6 (Responsibilities)</p> <p>Operation of an independent compliance unit separate from each Business Division (sales organization) to guarantee independence</p>
4 <b>Publication and utilization of the voluntary compliance manual</b>	<p>Fair Trade Handbook publication and distribution (June 2021)</p>

Initiatives	Details
5 <b>Conduct continuous and systematic self-compliance education</b>	<p>Establishment of annual fair trade training plan for 2021 (December 2020)</p> <p>Implementation of Fair Trade Daily Quiz (in 2021)</p> <p>Publication and distribution of fair trade handbook (January 2021)</p> <p>Fair trade training for CEOs (September 2021)</p> <p>Regular/frequent in-house training on fair trade</p> <ul style="list-style-type: none"> <li>Precautions training on collection/sharing of management information (March 2021)</li> <li>Fair trade training for newly opened store (Dongtan Store) (March &amp; June 2021)</li> <li>Fair trade training for new store managers (April 2021)</li> <li>Fair trade training for Shopping Mall Buyers (May 2021)</li> <li>Training of work guidelines on fellow colleagues (June 2021)</li> <li>Fair trade training for newly opened store (Time Villas Store) (August 2021)</li> <li>Training on Fair Trade Handbook (September 2021)</li> </ul>
6 <b>Establishment of internal monitoring system</b>	<p>Establishment of internal supervision system and implementation of monitoring system (fair trade business regulations)</p> <p>Reporting the CP program operation results in 2020 and operation plan for 2021 to the BOD &amp; resolution (May 2021)</p> <p>Disclosure of voluntary fair trade compliance (May 2021)</p> <p>Notice on the fair trade field inspections (April &amp; September 2021)</p> <p>Fair trade team's prior review and agreement on merchandising (in 2021)</p>
7 <b>Encouraging compliance with fair trade laws</b>	<p>Operation of in-house sanctions procedures for violation of Fair Trade Act</p> <p>Awarding the Fair Trade Daily Quiz winner/team (in 2021)</p> <p>Sharing 2020 Fair Trade Inspection results with employees (January 2021)</p>
8 <b>Effectiveness evaluation &amp; improvement measures</b>	<p>Conducted a mobile survey related to the operation of the 2020 Fair Trade Compliance Program (December 2020)</p> <ul style="list-style-type: none"> <li>Efficiency analysis for each item (work guidelines/system/training, etc.)</li> </ul> <p>Company-wide compliance risk assessment &amp; improvement plan establishment (April 2021)</p> <p>On-site inspection and clinic operation (in 2021)</p> <p>Advancement of fair trade system (September 2021)</p>

## Fair Trade Training & Campaigns

LOTTE Shopping conducts training programs to establish a fair trade culture with partner companies and to strengthen fair trade expertise for each position. The Company also conducts campaigns to create/distribute work guidelines for each major regulatory law in order to spread fair trade messages and to raise compliance awareness.

<Fair Trade Campaign Activities>

**개끗하고·공정한 롯데마크 우리다함께 만들어가요!**

**컴플라이언스 Daily Quiz 포상 안내**

**Quiz Master 를 찾습니다**  
'22. 04. 01 ~ 06.30

**Daily Quiz 상석우수자**

**대상기간** '22년 2분기(4.1 ~ 6.30)

**출제범위** · 공정거래 · ESG  
· 정보보호 · 중대재해(안전)

**포상기준 및 내역**

부분	포상기준 및 내역		
개 인	1위 복지포인트 30만원 지급(1명)		
	2위 복지포인트 20만원 지급(2명)		
	3위 복지포인트 10만원 지급(3명)		
단 체	1위 롯데백화점 상용권(각 1개 팀/점)		
	본사	점포(마태)	점포(복스)
	20만원	30만원	10만원

**공지방범**  
7월 중 게시판을 통해 대상자(개인/단체) 공지 예정  
\* 포상 수여 및 세부 내용은 대상자에 별도 통보

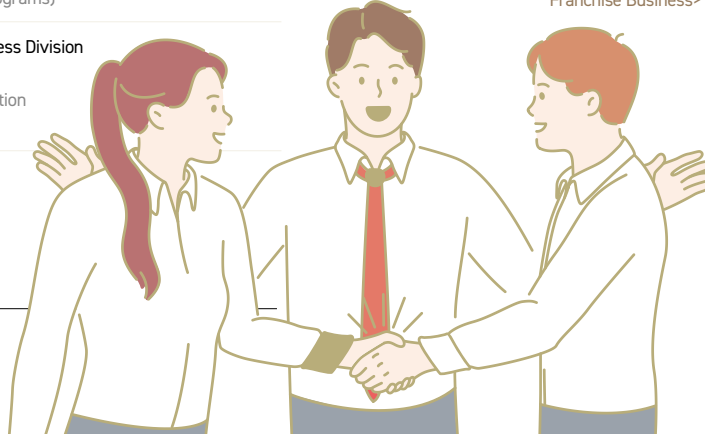
**준법지원부문 Compliance팀**

<Daily Quiz (Fair Trade) Award for High Scorer>

Item	Date	Details
Establishment of Compliance & Ethics Culture	Jan 2021	Implementation of fair trade campaign in the first quarter of 2021 Distribution of educational materials related to the Q1 theme (Prohibition of business information request), bulletin board pop-up, business guidance, etc.
	Jan-Feb 2021	2021 Lunar New Year Holiday Risk Prevention Campaign Guide to business rules by sector (fair trade/ethical management/information security) and implementation of daily quiz
	Mar 2021	Sharing guidelines for written notification to partners related to transaction termination Prevention of risk violations by providing reference and guidance on required procedures
	Apr 2021	Expanded fair trade daily quiz program to Mart and Super Business Divisions Enhancement of fair trade awareness by familiarizing with major laws/business guidelines
	May 2021	Implementation of fair trade campaign in the second quarter of 2021 Distribution of educational materials related to the Q2 theme (Prohibition of product return), bulletin board pop-up, business guidance, etc.
	Jun 2021	Publication and distribution of Fair Trade Handbook in 2021 Enhancement of on-site knowledge and practicality with practical contents for each Business Divisions transaction types and characteristics
	Jun-Jul 2021	Distribution of on-site guidelines for fair trade related to partner companies' employees Distribution of training materials and guidelines related to co-workers (PR)
	Jul 2021	Sharing business regulations and guidelines related to indication and advertisement Prevention of legal violation risks by sharing reference cases and work checklist guidance
	Aug 2021	Implementation of fair trade campaign in the third quarter of 2021 Distribution of educational materials related to the Q3 theme (Prohibition of transfer of promotional expenses), bulletin board pop-up, business guidance, etc.
	Oct 2021	Implementation of fair trade campaign in the fourth quarter of 2021 Distribution of educational materials related to the Q4 theme (Prohibition of request for economic benefits), bulletin board pop-up, business guidance, etc.
Oct 2021	Distribution of guidelines for manpower support for newly opened and renovated stores Information on job application and precautions for partner companies' employees for newly opened and renovated stores	



Item	Date	Details
Training	Oct 2020-Jan 2021	Compliance competency strengthening training for field managers of Department Store Business Division ※ Article 14 of Company Regulations for Compliance Control Standards (Compliance Education and Operation of Training Programs)
	Mar 2021	On-site communication and fair trade training for CEOs/executives of Mart and Super Business Divisions ※ Article 14 of Company Regulations for Compliance Control Standards (Compliance Education and Operation of Training Programs)
	May 2021	Fair trade training for Product/Marketing departments of E-Commerce Business Division Fair trade training for Merchandisers in Product team of Super Business Division ※ Article 14 of Company Regulations for Compliance Control Standards (Compliance Education and Operation of Training Programs)
	Jun 2021	Fair trade training for Sales Planning team leaders of Department Store Business Division Fair trade training for all employees in Mart Business Division ※ Article 14 of Company Regulations for Compliance Control Standards (Compliance Education and Operation of Training Programs)
	Sept 2021	Fair trade training for merchandisers and store field managers in Department Store Business Division ※ Article 14 of Company Regulations for Compliance Control Standards (Compliance Education and Operation of Training Programs)
	Sept 2021	Fair trade training for CEO of LOTTE Shopping and representatives of logistics affiliates ※ Article 14 of Company Regulations for Compliance Control Standards (Compliance Education and Operation of Training Programs)
	Oct 2021	Fair trade training for all store managers in Mart Business Division ※ Article 14 of Company Regulations for Compliance Control Standards (Compliance Education and Operation of Training Programs)
	Apr-Dec 2021	Distribution of on-site guidelines for fair trade related to partner companies' employees ※ Article 17 of Company Regulations for Compliance Control Standards (Compliance Monitoring by the Compliance Officer)



### Fair Trade Handbook for Training

LOTTE Shopping produces a Fair Trade Handbook every year for employees' better understanding, and conducts the daily quiz on fair trade based on the contents of the handbook to raise employees' awareness of fair trade.



#### Main Contents

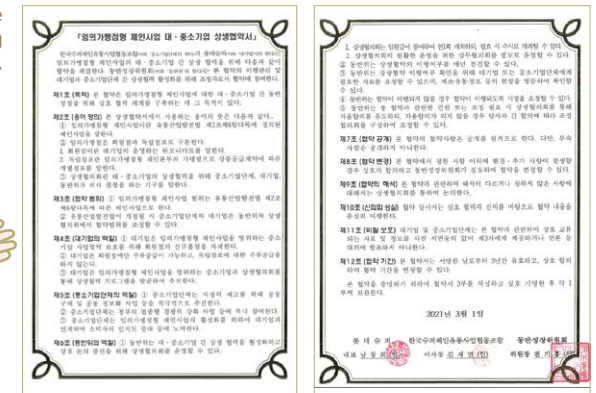
- Introduction of Fair Trade Compliance Program
- Compliance guide on Large Retail Business Act
- Compliance guide on Subcontracting Act
- Compliance guide Fair Trade Act/Fair Labeling and Advertising Act
- Compliance guide on Electronic Commerce Act

<Fair Trade Handbook>

### Signed the Agreement on Co-Prosperity between Large Company and SMEs in Voluntary Chain (V/C) Franchise Business

LOTTE Super has signed the co-prosperity agreement for shared growth between large and small-medium businesses in voluntary chain franchise business. To contribute to shared growth, the Company protects the business areas of SMEs with voluntary chain businesses, and actively cooperates with them for co-prosperity

<Agreement on Co-Prosperity between Large Company and SMEs in Voluntary Chain (V/C) Franchise Business>

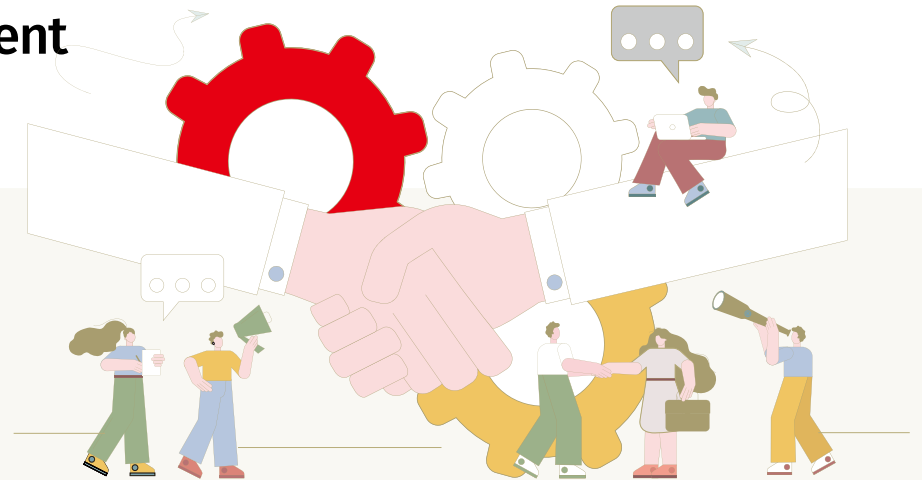


## Material Issue 3 Human Rights-oriented Management

### Management Approach

#### The Materiality of The Issue

In order to create a develop sustainability in rapidly changing business environment, human rights management is the most fundamental and important to create a working environment, in which the human rights of corporate members are respected while they can pursue growth and happiness. In addition, the social demand for human rights-centered corporate management is growing, which can be seen in the enactment of Korea's National Human Rights Policy Framework Act and the announcement of the final EU's Social Taxonomy, which emphasize the obligation of companies to respect human rights. The importance of human rights management is growing day by day as a duty to be observed to ensure corporate sustainability.



#### Major Activities in 2021

##### Establishment of global human rights policy

Establishment of human rights policies suitable for retail industry, meeting global standards such as the ILO and UN SDGs

##### Human rights education for all employees

(Improving awareness of the physically challenged, workplace harassment, sexual harassment prevention education)



#### Key Achievements in 2021

##### Introduction of global human rights policy

**Customer:** customer safety, listening to customer opinions, customer information protection

**Employee:** equal opportunity, fair treatment, mutual respect, respect for diversity, safe working environment

**Partner company:** fair trade, respect for partner companies, fair competition, lawful information collection, anti-corruption

**Local community:** environmental protection, social contribution, respect for human rights, respect for cultural diversity, compliance with local laws



#### Goals and Plans in 2022

##### Human rights management education support for business partners

(Non-discrimination and respect for diversity, etc.)

##### Internalization of human rights policy and advancing due diligence system on human rights

## Human Rights Policy

LOTTE Shopping was the first in the industry to join the UN Global Compact in January 2007, and fully supports the ten principles of the UN in relation to human rights, labor standards, environment, and anti-corruption. LOTTE Shopping, which promotes comprehensive human rights management that respects diversity and non-discrimination, has established its own global human rights policy based on the in-house Code of Conduct, laying the groundwork for a human rights-centered management system.

### LOTTE's Code of Conduct

LOTTE Shopping complies with the relevant laws, company regulations, and the Code of Conduct in the course of business operation. LOTTE Shopping's business partners are also expected to follow standards as strict as LOTTE Shopping's Code of Conduct, which is one of the main determinants in entering into partnership.

LOTTE Shopping presents human rights management and ethical management in accordance with LOTTE's Code of Conduct, and strives to help its employees internalize them through continuous education and practice.

<b>LOTTE's Code of Conduct</b>	<a href="https://www.lotte.co.kr/compliance/coc.do">https://www.lotte.co.kr/compliance/coc.do</a>
<b>Trust with Customers</b>	<ul style="list-style-type: none"> <li>• Providing the best products and services/honest marketing</li> <li>• Customer information protection/brand protection</li> </ul>
<b>Trust with Employees</b>	<ul style="list-style-type: none"> <li>• Equal opportunity and fair treatment/gender equality</li> <li>• Mutual respect among employees/safe working environment</li> <li>• Asset protection/intellectual property protection/information leak prevention</li> </ul>
<b>Trust with Partners</b>	<ul style="list-style-type: none"> <li>• Compliance with fair trade laws/respect for partners</li> <li>• Fair competition/lawful information collection</li> <li>• Prohibition of corruption and solicitation</li> </ul>
<b>Trust with Shareholders</b>	<ul style="list-style-type: none"> <li>• Enhancing shareholder value/preventing conflicts of interest</li> <li>• Enhancing accounting transparency/prohibiting insider trading</li> </ul>
<b>Trust with Society</b>	<ul style="list-style-type: none"> <li>• Environmental protection/creation of social value and social contribution</li> <li>• Respect for human rights/respect for cultural diversity/compliance with laws</li> <li>• Separation of politics and economy</li> </ul>



### Human Rights Policy Establishment

LOTTE Shopping has duly practiced the Universal Declaration of Human Rights, the UN Principles on Business and Human Rights, the UNGC, and the OECD Guidelines for Multinational Enterprises, and has established human rights policy that fits the global level. LOTTE Shopping promotes human rights management in accordance with prohibition of child and forced labor, freedom of association, and other global standards, and strictly monitors human rights violations. In addition, the Company strives to manage human rights in the supply chain to protect all employees and all stakeholders.

Item	Details	
<b>I. Human Rights Management Statement</b>	Purpose of enactment, compliance with domestic and foreign guidelines/laws, subject of application, system establishment, etc.	
<b>II. Basic Principles</b>	Human Rights for Customers	• Customer safety / Listening to customer opinions / Protection of customer information
	Human Rights for Employees	• Equal opportunity / Fair treatment / Mutual respect / Respect for diversity / Safe working environment
	Human Rights for Suppliers	• Fair trade / Respect for partners / Fair competition / Lawful information collection / Anti-corruption
	Human Rights for Local Community	• Environmental protection / Social contribution / Respect for human rights / Cultural diversity / Compliance with local laws
<b>III. Appendix (Bibliography)</b>	•UN's Universal Declaration of Human Rights, Ten Principles of UNGC, ILO Declaration, UN's Anti-Corruption Convention, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, UN SDGs	

## Systematization of Human Rights Management

LOTTE Shopping is building a solid foundation for sustainable corporate management by systematizing and strengthening human rights management. To create an environment in which the human rights of all employees are respected and diversity is recognized, LOTTE Shopping carries out anti-discrimination activities, regular human rights education, and prepares systems for preventing human rights violations and redemption of human rights to ensure the quality of life of employees and to create social value.

## Anti-discrimination Activities

In order to create a workplace with no discrimination, LOTTE Shopping pursues a bias-free and fair management in the entire process from the recruitment stage to the forms of employment and retention of employment. To this end, each Business Division is promoting various anti-discrimination activities.

Department Store	Mart	Super	E-Commerce
Specifies the equal treatment and human rights-oriented management in the company rules (equal treatment, recruitment principle, maternity protection)	Strengthens activities for establishment and operation of fair recruitment guidelines	Strictly complies with the Fair Recruitment Guidelines	Implements blind recruitment that does not disclose school/major/grades when hiring interns and new employees
All employees to sign the Pledge of Fair Employment Practices at the time of recruitment	Provides fair employment opportunities by strictly keeping on the announced recruitment date	Conducts blind recruitment excluding any information with discriminatory factors such as school/major/gender/age etc. from recruitment process, and conducts internal audit on recruitments	Selects successful candidates based only on coding test and personality test scores
All employees to write the Pledge of Compliance and Ethical Management Practice every year	Secures fairness in recruitment by utilizing AI-incorporated recruitment system during preliminary document screening stage	Provide same welfare benefits regardless of full-time or part-time employees (congratulations and condolences, holiday gifts, etc.)	Provides same welfare benefits regardless of full-time or part-time employees
Continuously increases the female proportion in team leaders and above (8.7% in 2021 → 13% or more in 2022)	Secures a pool of interviewers that is at least three times larger than the number of recruits and prohibits the sharing of interviewer-related information between the interviewer candidates and the responsible department head.	All employees to sign the Employment Oath every year to strengthen human rights and respect diversity, and provides trainings on anti-discrimination at work	Wages based on competence regardless of gender
Provides local talent with employment opportunities at stores distributed in major regions across the country : Various activities for retention and onboarding of new employees in local regions	Prohibits any modifications after interview result is submitted	Secures a corporate culture that respects diversity by running programs of compulsory male parental leave, fertility leave, and elementary school childcare leave.	Provides 2-year-parental leave per child to minimize the career interruption of female workers, and an additional year of leave when upon child's elementary school entry
HR managers' regular visits to stores : Emotional support through face-to-face meeting with new employees and reflection of their voices of the field, onboarding event and congratulatory gift provided at their 100th day since the recruitment	Interviewers to sign the Pledge of Fair Employment Practices		Recommends male employees a paternity leave of 1 month or longer within 3 months after childbirth, to improve husband's participation in childrearing.
Feedback to unsuccessful recruits : Provide feedback to unsuccessful recruits so that applicants can analyze their strengths and weaknesses and develop necessary competencies	In case of violation of the Fair Recruitment Guidelines, files a solicitation report to the Mart's Management Improvement Team		
Compliance department to conduct a mandatory post-recruitment audit according to the Fair Recruitment Guide.			

### Respect for Diversity

LOTTE Shopping is creating an environment where diverse members can prove their competence. The Company strives especially for social diversity by focusing on hiring the physically challenged and securing female leaders. The Company also makes efforts to create a fair and equal corporate culture by expanding institutional support to reinforce social diversity in the workplace.

### Support for Diversity Enhancement System at Workplace

LOTTE Super operates various systems to enhance social diversity in the workplace and strives to create a fair company culture and working environment. Fertility leave (up to 30 days of unpaid leave), paternity leave and childbirth leave (10 days paid leave), elementary school child care leave (preparing for children to enter elementary school and providing an adjustment period for school commute, 2 to 4 weeks unpaid leave), and other programs are supported for a balanced life between work and family. In addition, the Company supports exchanges between female mentors (female executives) and female mentees (female team leaders/candidates), providing opportunities for empowerment and mutual development of female employees in the workplace.

### Employment Status of the Disabled/Veterans/Foreigners

(Unit: person, %)

Business Division	2018	2019	2020	2021
Department Store	214(3.4)	199(3.5)	186(3.4)	176(3.3)
Mart	377(2.7)	410(3.1)	397(3.3)	364(3.1)
Super	163(2.3)	167(2.5)	140(2.6)	125(2.6)
E-Commerce	18(2.9)	23(2.9)	18(2.4)	27(2.8)

\* Figures in parentheses refer to the employment rate of minority groups compared to the total number of employees

### Ratio of Female Employees

(Unit: %)

Division	2018	2019	2020	2021
Department Store	61.9(17.8)	61.5(19.8)	61.3(21.9)	60.4(23.2)
Mart	71.5(13.8)	71.3(13.3)	70.7(12.7)	70.8(12.6)
Super	67.1(2.6)	71.1(3.7)	68.7(3.2)	69.3(2.3)
E-Commerce	54.2(40.7)	51.8(36.6)	51.4(38.6)	52.1(39.2)

\* Figures in parentheses refer to the percentage of female employees among all manager level workers

### Re-employment Support Program

In accordance with the 'Enforcement Decree of the Act on the Prohibition of Age Discrimination in Employment and the Promotion of Employment of the Elderly', LOTTE Mart and LOTTE Super provide 're-employment support program to workers aged 50 and over who have worked for at least one year (only for those who wish to receive the support among involuntary

retirees). For the purpose of alleviating anxiety among retirees and giving them opportunities to design careers, the company provides career planning and job placement programs to support retirees to realize their dream after retirement.

Type	Contents	Details	Note
Career Design	Career design for future life and job based on aptitude and career diagnosis, and counseling and education on life change management after retirement	Provides more than 16 hours of education and counseling & provision of customized career plans	Provided to all applicants / Mart and Super
Employment Intermediation	Employment intermediation and consultation (Including the support for re-employment preparation, such as guiding how to write resumes and cover letter)	Provides 2 or more job placements within 3 months before retirement (Face-to-face support more than once)	Provided to seniors and others / Mart



### Education on Human Rights

LOTTE Shopping provides the legally mandatory trainings to all employees for improving awareness of the disabled, preventing workplace/sexual harassment. Through continuous online/offline education, the Company puts efforts to raise awareness of human rights among employees to prevent human rights violation issues such as sexual harassment, workplace harassment, and discrimination against the disabled.



Education Types		2018	2019	2020	2021	
Department Store	Education to improve awareness of people with disabilities in the workplace	Education hours per person	1	1	1	1
		No. of trainees	4,580	4,454	5,487	4,302
	Education on sexual harassment prevention in the workplace	Education hours per person	1	1	1	1
		No. of trainees	5,739	4,462	5,614	4,307
	Education on workplace harassment prevention	Education hours per person	-	1	1	1
		No. of trainees	-	4,462	4,270	4,307
Mart	Education to improve awareness of people with disabilities in the workplace	Education hours per person	1	1	1	1
		No. of trainees	4,581	4,521	4,473	4,475
	Education on sexual harassment prevention in the workplace	Education hours per person	1	1	1	1
		No. of trainees	4,581	4,521	4,473	4,475
	Education on workplace harassment prevention	Education hours per person	1	1	1	1
		No. of trainees	4,581	4,521	4,473	4,475
Super	Education to improve awareness of people with disabilities in the workplace	Education hours per person	2	2	2	2
		No. of trainees	6,689	6,793	5,572	4,772
	Education on sexual harassment prevention in the workplace	Education hours per person	2	2	2	2
		No. of trainees	6,689	6,793	5,572	4,772
	Education on workplace harassment prevention	Education hours per person	-	1	1	1
		No. of trainees	-	6,793	5,572	4,772
E-Commerce	Education to improve awareness of people with disabilities in the workplace	Education hours per person	1	1	1	1
		No. of trainees	736	900	840	853
	Education on sexual harassment prevention in the workplace	Education hours per person	2	2	1	1
		No. of trainees	1,282	908	840	853
	Education on workplace harassment prevention	Education hours per person	-	1	1	1
		No. of trainees	-	915	840	853

### Establishment of Human Rights Violation Treatment and Remedy System

LOTTE Shopping makes every effort to prevent human rights violations from occurring in the workplace, while promptly handling cases of human rights violations, and establishing and operating a relief system for each Business Division to protect the identity of the whistleblower and victims and to minimize damage.

Division	Department Store	Mart	Super	E-commerce
<b>Reporting Channel</b>	Department Store Ethics Office Hotline <a href="https://ethics.lotteshopping.com/bbs/estimate/write">https://ethics.lotteshopping.com/bbs/estimate/write</a> LOTTE Group "Shinmungo (Reporting System)" system <a href="http://www.lotte.co.kr/compliance/inquiry.do">http://www.lotte.co.kr/compliance/inquiry.do</a>	Happiness Counseling Room Martgo@lottemart.com, LOTTE Mart's Kakao Story channel, phone call and mail	Super "Shinmungo" for business ethics consultation and reporting cleansuper@lotte.net, in-house call, email, social media, text message, etc.	Reporting Channel for sexual/workplace harassment OPEN@lotte.net
<b>Procedure</b>	Case reception (Department Store ethics hotline and the Group's Shinmungo system) → Interview with the informant and fact-checking investigation → Appointment to the Human Resources Committee → Taking measures and disciplinary action → Notification of results and prevention of recurrence	Employee Happiness team receives cases of human rights violations → Counseling and investigation → Fact check and action → Appointment to the Human Resources Committee → Taking measures and disciplinary action → Notification of results and prevention of recurrence	Case reception → Call interview and on-site investigation → Referral to Human Resources Committee → Disciplinary action → Proceed with education to raise awareness and to prevent recurrence	Case reception → consultation and investigation → Referral to the Human Resources Committee and convening → Deliberation by the Human Resources Committee → Approval and confirmation of resolutions → Notice of disposition* → Disclosure of disposition and case closing *Request for review should be made within 14 days after receiving the notice

### Support for Work-life Balance

LOTTE Shopping provides various working practices and welfare benefits for each Business Division for employees to enhance their job satisfaction and to show their competence, while operating a welfare system to achieve work-life balance considering each employee's life cycle.

Department Store	Mart	Super	E-commerce
<p><b>Work Arrangement</b></p> <p>Selective Work Schedule: Employees can freely adjust daily work schedule and number of working days within the agreed monthly work hours.</p> <p>Flexitime: Employees can adjust their start and finish times in consideration of childcare, housework, self-development, and work characteristics, while maintaining an 8-hour work per day.</p> <p>Reduced Working Hours: Working hours are reduced to 15-30 hours per week for child rearing, family care, personal health, retirement preparation, and schoolwork</p>	<p><b>Operation of maternity protection programs</b></p> <p>Operate a maternity protection system based on the life cycle care from pregnancy to childbirth and childcare (pregnancy gift/reduction of working hours/flexible working system/operating daycare center/primary care leave)</p>	<p><b>Providing employee with childbirth and school admission benefits</b></p> <p>Gifts for childbirth and when entering elementary school</p>	<p><b>Selective working hour</b></p> <p>As a part of the voluntary work culture, employees can alter their workday and decide their start and finish times within the mandatory monthly working hours (10-15hrs)</p>
<p><b>Support for actual medical and nursing expenses</b></p>	<p><b>Support for medical expenses and support for funeral services for the closest 5 next-of-kin</b></p>	<p><b>Support for employees in need (Donation of odd sum in salary)</b></p> <p>Support system for the workers with child/immediate family with rare diseases, serious accident, natural disaster, etc.</p>	
	<p><b>Support for remote workers</b></p> <p>Allowance for employees from other region, allowance for transfer, and support for transportation expenses for employees working away from family</p>	<p><b>Support for remote workers</b></p> <p>Long-distance transportation expenses, company housing subsidies, and support for employment expenses</p>	



# [Special Feature] Response to COVID-19

## Internal Activities to Overcome COVID-19

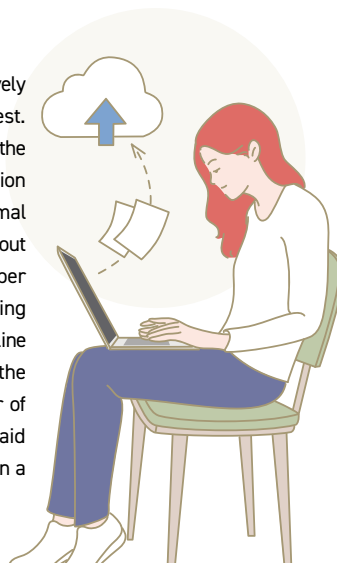
### Operating a COVID-19 Response System for Employees

LOTTE Shopping has made every effort to maintain work efficiency and to prevent damage to its employees by running various institutional operations in response to COVID-19. LOTTE Department Store encourages employees to check for fever, to wear a mask at all times, and to immediately leave work and receive a medical check if suspicious of infectio. In a bid to countermeasure, the company has implemented a company-wide policy to change the office working culture to fit the COVID-19 response system such as avoiding face-to-face reports and meetings, expanding video conferencing, and enabling non-face-to-face communication. In the employee cafeteria where many employees encounter on a daily basis, social distancing was complied through an electronic access control system, distant chair arrangement, and sitting apart policy. In the case of branch offices where on-site work is essential, the spread of COVID-19 and work vacancy were prevented by keeping distance between seats in the office and shift work. For the head office, shift work and work-from-home system were introduced.

LOTTE Super has implemented telecommuting in response to the spread of the COVID-19, recommending 50% of employees work from home, and provided laptops to all employees. In 2021, effective countermeasures against COVID-19 were arranged such as 1:1 video conference rooms to promote non-face-to-face communication and changing the office layout to a hot-desking system.

### Vaccine Leave Incentives

LOTTE Super focused on protecting employees from COVID-19 while actively encouraging vaccine leave to ensure employees' health and right to rest. LOTTE Department Store and LOTTE Super provided one day of leave on the day of vaccination, and provided up to two additional days per vaccination in case of vaccine sequelae. When taking additional rest due to abnormal symptoms, employees can apply for the leave on their own discretion without a doctor's note. In addition, in case of cohabitant's infection LOTTE super provided employees with a self-quarantine period for 3 days until getting negative results on fourth day, taking further steps than government guideline that doesn't require quarantine in this case. While the Company puts the health protection of its employees as the top priority and as the number of confirmed COVID-19 cases increases and spreads fast, a one-month paid leave system is operated to create an institutional environment to maintain a balance between work and health.



## CSR Activities to Overcome COVID-19

### Domestic and International Donation Activities

LOTTE Shopping made donations at home and abroad to recover the social damage caused by COVID-19 and to contribute to swift recovery from the pandemic. In cooperation with local governments and donation groups, LOTTE Department Store voluntarily made donations of approximately KRW 130 million raised through 204 CSR activities. In addition, LOTTE Department Store and LOTTE Mart donated KRW 160 million to Vietnam for the recovery of damage attributed by the pandemic.

Activity	Business Division	2020		2021	
		Number of Activities	Amount (KRW million)	Number of Activities	Amount (KRW million)
CSR activities from stores	Department Store	261	121	204	129

Activity	Division	Amount (KRW million)	Total (KRW million)
COVID-19 damage recovery for Vietnam	Department Store	115	160
	Mart	45	

### Metaverse Recruitment Fair

As the contact-free culture rapidly spreads due to the COVID-19 outbreak, prompt response at the corporate management level was required to secure competitiveness in line with the changing social atmosphere. Accordingly, LOTTE Department Store and LOTTE Super held the non-face-to-face 'Metaverse Recruitment Fair'. Unlike the previous recruitment briefings, where recruitment booths were installed at universities or certain physical locations, the Metaverse Recruitment Fair session allowed a wider variety of applicants to attend. The Company was able to secure an opportunity to hire talented people despite the unfavorable COVID-19 situation. In the future, in line with the trend of digital transformation, LOTTE Shopping plans to expand its metaverse recruiting to effectively respond to the emergent crises.

# ESG Factbook

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## Our journey towards being a leader in ESG engagement, meeting the needs of the times

LOTTE Shopping is committed to building a sustainable business model with ESG engagement and strengthening its role as a company that creates customer satisfaction and positive social values. Each Business Division is committed to meeting the current environmental, social, and governance needs, generating valuable results.

LOTTE Shopping is advancing to become a leader in ESG engagement based on its past achievements.





RE:   
EARTH  
다시 지구를 새롭게

# Environment

## Environment Management System (EMS)

Since LOTTE Shopping declared Environmental Value Management for the first time in the industry in April 2004, the Company has been promoting the importance of ecological conservation. Each Business Division is committed to minimizing impact on the environment across all business activities, engaging employees, customers, partners, and other stakeholders in various activities for environmental conservation. Also, LOTTE Shopping performs a system-driven internal diagnosis every year. Consequently, such a stable and professional approach toward environmental regulations enables the Company to have potential environmental risks under control.

## The Direction and Policy of Environment-Conscious Management

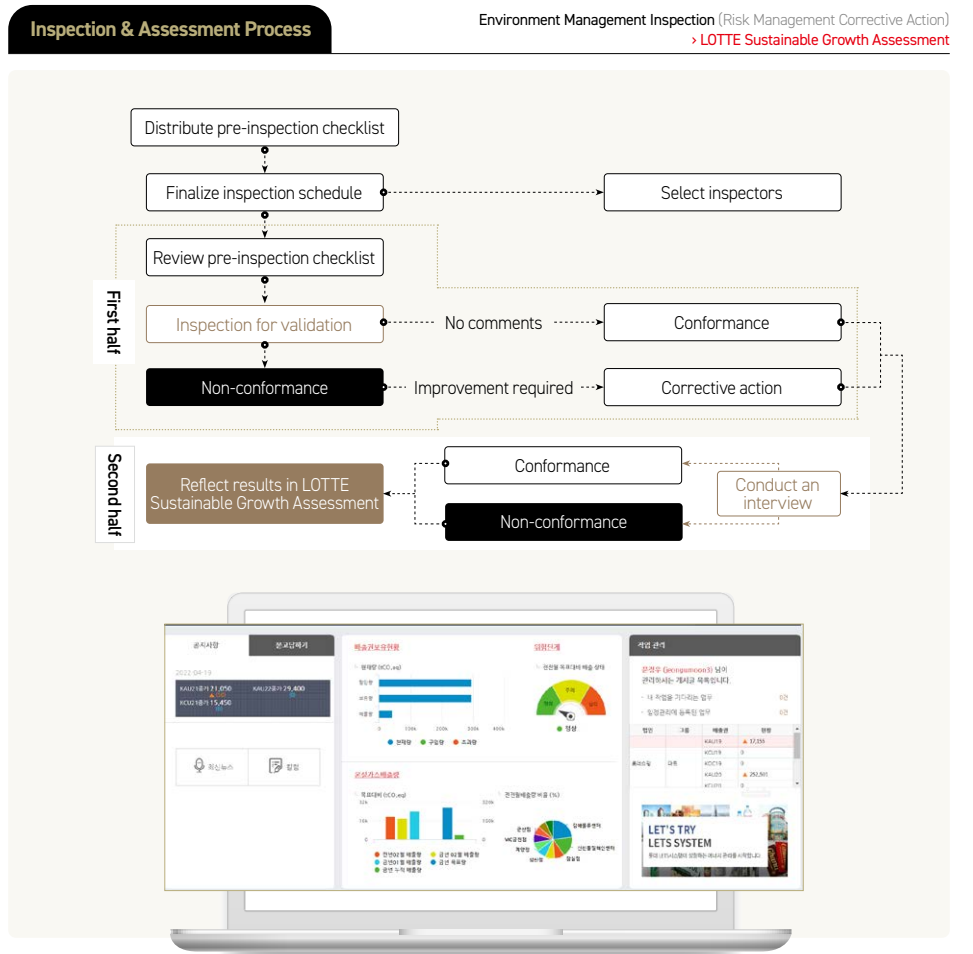
The internal policy direction: to put the environment at the center of the companies decision-making process  
 The external policy direction: to create environmental values in the interest of customers, consumers, people, and nature

1. We will make the domestic retail industry eco-friendly and become a leading global retailer with environment-conscious and energy-conscious management.
2. We will provide various products and living culture that promote environmental values and eco-friendly consumption.
3. We will spread environment-conscious and energy-conscious management to our business partners and encourage engagement in environmental issues.
4. We will actively work towards reducing waste and resources to improve our environmental practices continuously.
5. We will comply with environmental laws and regulations and implement more stringent internal standards.
6. We will engage in diverse activities for environmental conservation by making an environment fund and raising awareness of our indispensable environment to customers and society through a climate change campaign.

## LOTTE Environment & Energy Total Service (LETS)

LOTTE Shopping uses the LETS system, owned by LOTTE Holdings, to inspect environment-related unit, set environmental targets for greenhouse gas, water, waste, air pollution, and water pollution, and check the progress and performances.

Environmental Management Inspection Group comprises people with experience and relevant certificates in the environment sector. The inspection board reviews environmental data every six months, inspects the ecological status, including on-site inspection, and makes LOTTE Sustainable Growth Assessment every year, considering inspection results.



## Environmental Inspection System by Business Division

### MRV System Run by LOTTE Department Store

LOTTE Department Store runs the GHG energy target management system MRV (Measurable, Reportable and Verifiable), to monitor GHG emissions and energy consumption efficiently. The system systematically identifies a source of greenhouse gas and manages GHG emissions from each source.



#### Major functions

- Monthly monitoring of GHG emissions [allowances / checking the trend compared to the previous year]
  - ※ Monitor and cross-check GHG emissions with LETS system
- Managing utility consumption by site

### FEMS System Run by LOTTE Mart

LOTTE Mart introduced FEMS (Facility & Energy Management Solution) in 2018 to perform a company-wide safety inspection on facilities and efficiently operate business sites by using, maintaining, and managing optimum energy levels. Also, it monitors energy consumption at each site periodically, detects issues in advance, and minimizes environmental risks.



#### Major functions

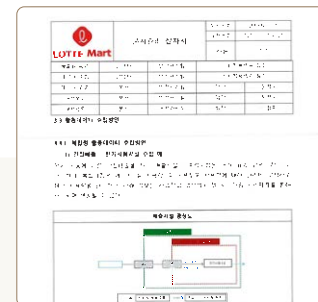
- Establishing a facility database and tracking change history
- Using smart devices to keep the inspection logs
- Managing energy levels (setting targets and examining consumption levels), monitoring solar power performance

## Implementation of advanced energy management system, SEFMS (Safety, Energy, Facility Management System)

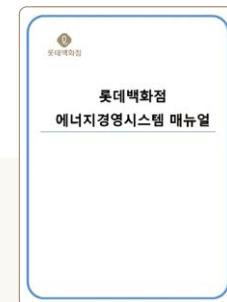
A general management program will be established to improve the accuracy of GHG emissions and monitor compliance with the Industrial Health and Safety Manual and Guidelines.

### Environment Management Manual and Procedure Manual and Procedure

LOTTE Shopping has developed procedures for major environmental elements such as air, water quality, energy management, GHG emission trading, and waste management and performs inspections according to the procedures.



<LOTTE Mart Procedure>



구분	내용	담당자
1	에너지경영시스템 운영 방침	에너지경영팀
2	에너지경영시스템 운영 방침	에너지경영팀
3	에너지경영시스템 운영 방침	에너지경영팀
4	에너지경영시스템 운영 방침	에너지경영팀
5	에너지경영시스템 운영 방침	에너지경영팀
6	에너지경영시스템 운영 방침	에너지경영팀
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16	에너지경영시스템 운영 방침	에너지경영팀
17	에너지경영시스템 운영 방침	에너지경영팀
18	에너지경영시스템 운영 방침	에너지경영팀
19	에너지경영시스템 운영 방침	에너지경영팀
20	에너지경영시스템 운영 방침	에너지경영팀
21	에너지경영시스템 운영 방침	에너지경영팀
22	에너지경영시스템 운영 방침	에너지경영팀
23	에너지경영시스템 운영 방침	에너지경영팀
24	에너지경영시스템 운영 방침	에너지경영팀
25	에너지경영시스템 운영 방침	에너지경영팀
26	에너지경영시스템 운영 방침	에너지경영팀
27	에너지경영시스템 운영 방침	에너지경영팀
28	에너지경영시스템 운영 방침	에너지경영팀
29	에너지경영시스템 운영 방침	에너지경영팀
30	에너지경영시스템 운영 방침	에너지경영팀

<LOTTE Department Manual>

## Action on Climate Change

LOTTE Shopping is engaging stakeholders, including employees, executives, and partners at a corporate level, for making environment more sustainable for future generations. LOTTE Shopping is managing climate-impacting elements such as GHG, energy, waste, water resources, and air, and minimizing waste generation with digital technology based on its Environment Management System (EMS).

### GHG Reduction

The company is setting up facility infrastructure to reduce GHG emissions by expanding solar power facilities and EV charging stations and minimizing GHG emissions through tighter control over energy use. Furthermore, it actively purchases green products with less environmental impact across a product lifecycle from production to sales, including materials procurement, manufacturing, distribution, use, discard, and reuse. It is also committed to reducing GHG emissions by expanding Green Stores, certified by the Ministry of Environment.

Status of Eco Mark-certified Products at LOTTE Mart

(Unit: SKU, KRW 000)

2020		2021			
Green Purchase item	Green Purchase amount	Green Purchase item	Green Purchase amount	Green Product items sold	Green Product sales amount
191	5,175,003	213	8,555,000	157	38,790,796



## Energy Efficiency

LOTTE Shopping is installing high-efficiency facilities to reduce the energy used at stores of respective Business Divisions and executing an energy reduction plan through system-based monitoring of monthly consumption levels at each business site.

### Installation of High-efficiency LED Lighting

LOTTE Shopping replaced existing lighting with high-efficiency LED lighting. Thirteen stores replaced 15,619 lamps with LED lamps in 2021, resulting in drastic energy savings by 1,731,849kW from 3,260,527kW to 1,528,678kW.

LOTTE Mart also worked with a subsidiary of Korea Electric Power Corporation (KEPCO) to replace substandard LEDs at stores with high-efficiency LEDs, saving 37.8% on electricity use and improving illumination.

### Showcase Door Installation

LOTTE Mart has run a pilot project to install a door at refrigerated showcases for product safety and energy conservation, the first-ever in the industry. Consequently, the door installation could secure product safety without replacing a whole showcase and prevent energy loss from all the cooling released in thin air. Also, it enables LOTTE Mart to proactively comply with temperature control requirements for processed foods.

#### January 2022

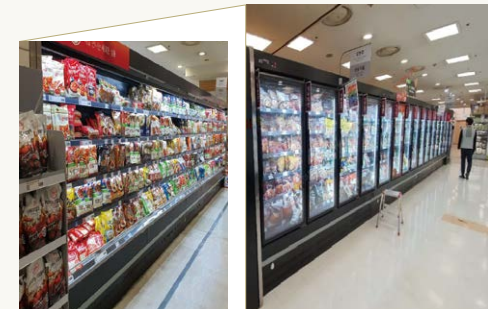
Signed MOU with Ministry of Food and Drug Safety (first MOU signed in the industry)

#### March 2022

Confirmed the effectiveness through a pilot project at the LOTTE Mart Cheongnyangni branch

#### March 2022

MOU signing ceremony with Ministry of Food and Drug Safety / Additional showcase door installation at Zettaplex Store



<Before improvement>

<After improvement>



Replacement of Outdated Facilities

LOTTE Department Store is replacing old facilities such as boilers and freezers to enhance cooling and heating efficiency and reduce energy use.



<Installed boilers at the Daegu Store>

<Installed boilers at the Pohang Store>

<The existing freezer at the Jamsil Store>

Facility	Installed stores	Average Use life	Old capacity (TON, RT)	New capacity (TON, RT)	Variance (TON, RT)	Installed stores
Boiler	25	15.4 years	87.5	30.9	▲56.6 (▲65%)	13 stores
Freezers	5	21.2 years	10,820	6,450	▲4,370 (▲40%)	5 stores

Status of Energy Efficiency in 2021

LOTTE Department Store is replacing outdated facilities such as boilers and freezers to boost cooling and heating efficiency and reduce energy use.

Classification	No of Applied Stores	Electricity bill reduction / year (KRW 000 Mil.)	Carbon emission reduction / year (ton)	
Department Store	Replacing LED lamps	13	▲2.5	▲807
	Keeping doors closed during air conditioning	7	▲1	▲371
	Managing HVAC uptime	All stores	▲12	▲5,617
	Replacing inverter	19	▲5.2	▲1,861
Mart	Replacing LED lamps	All stores	▲12.2	▲3,998
	Installing doors for multi-shelf showcases	2	▲0.3	▲107
Super	Replacing LED lamps	16	▲0.4	▲142
	Installing doors for showcases	62	▲0.8	▲284
	Replacing LED lamps for S/C shelf	75	▲1.5	▲533
E-Commerce	PC replacements (from desktop to laptop)	head office	▲0.6	▲16.8
<b>Total</b>		-	▲36.5	▲13,737

Received an external award in the energy efficiency category

LOTTE Department Store Jungdong Store received a grand prize at 2020 Korea Energy Awards, Prime Minister's Citation for achieving the five-year target for carbon reduction from 3,984 TOE in 2015 to 3,236 TOE in 2019. In addition, LOTTE Department Store Ilsan Store has received Trade, Infrastructure, and Energy Minister's award for its contribution to efficient energy saving.





### Water Consumption Reduction

Department Store and Mart Business Divisions calculate water usage data annually. They compile monthly water consumption across all business sites and analyze consumption trends compared to the previous year and previous month using an internal system, setting standards for an appropriate level of water use. Each site calculates water consumption performance and cost with on-site management and continues to cut down on water consumption with a quarterly analysis of water consumption trends.

Department Store Business Division has installed a water reclamation facility to reduce water usage. 19 stores, including Main Store and Jamsil Store, have water reclamation facilities installed, and Ilsan Store has recycled 11,040 tons of water. Also, 6 stores, including Sangin and Jundong Store, have rainwater harvesting systems with capacity of 6,151 tons and reuse water collected from precipitation. Mart Business Division also focuses on reducing water consumption by bringing in 1,700 water-saving toilets for energy-saving and preventing water pollution with restrained water usage.

LOTTE Shopping's Water Consumption

(Unit: ton)

Classification			2018	2019	2020	2021
Water consumption	Water withdrawal	Water works	8,389,358	8,313,043	6,660,885	6,282,642
		Groundwater	444,536	364,562	322,092	282,921
	Subtotal		8,833,894	8,677,605	6,982,977	6,565,563
	Amount of water recycling	Wastewater	136,043	185,108	167,495	170,223
		Rainwater	-	-	-	338
	Subtotal		136,043	185,108	167,495	170,561
Total			8,969,937	8,862,713	7,150,472	6,736,124

\* The effluent amount is excluded from the table as the consumption amount is equivalent to the effluent amount.

Installed Capacity of Water Recycling Facility at LOTTE Department Store

Classification	Installed capacity	Installed stores
Wastewater facility	11,040 ton/day	21 stores
Rainwater harvesting system	6,151 ton	8 stores

### Use of Eco-Friendly Materials

#### Using Eco-Friendly Flyers

Department stores, by nature, need to advertise rapidly changing products to customers, and tons of paper end up being wasted in the process. LOTTE Department Store's food section uses eco-friendly paper from sugarcane byproducts to reduce its ecological footprint.



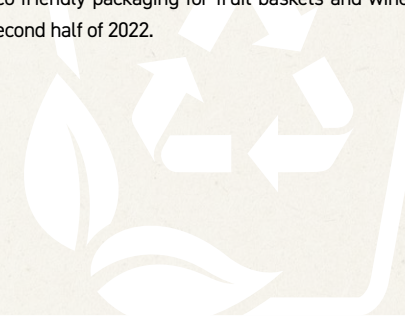
#### Using eco-friendly paper straws at the VIP lounge

LOTTE Department Store has replaced plastic straws with paper straws in the VIP Lounges and VIP Bars since May 2019, cutting plastic wastes that harm the environment.



#### FSC certified Eco Shopping Bags

LOTTE Department Store introduced eco-friendly shopping bags in 2021, and all 4 sizes of shopping bags are FSC (Forest Stewardship Council) certified and made with soy ink. Furthermore, the food section provides kraft paper shopping bags, making it easy for waste sorting. In addition, LOTTE Department Store will develop eco-friendly packaging for fruit baskets and wine gift boxes in the second half of 2022.



## Waste Reduction

LOTTE Mart and LOTTE Super have wastes generated at stores treated by a specialized company and reduce wastes by recycling reusable wastes such as synthetic resin, food, waste oil, and waste fat. They manage waste generation/recycle status by the business site through a system. They also engage in waste reduction activities utilizing digital technologies such as mobile receipt and mobile payment systems suitable for retail stores.

### Management of Carbon Emissions throughout the Life Cycle of the Production of PB Products

LOTTE Shopping is working on reducing GHG throughout the lifecycle of the production of Private-Brand products to reduce total carbon dioxide generated, directly or indirectly, in daily life.

- Changing container structure (removing unnecessary plastic packaging and plastic lids)
- Stop using PVC for packaging (replacing it with pulp tray)
- Applying removable stickers

### PB Eco-Packages and Products

Classification	Improvements	Details	Reduction performance (SKU)		Increase
			2020	2021	
Expansion of the eco package	Improvement of recyclability	Application of the removable sticker	787	821	+34
	Improvement of container structure (eco-friendly)	Removal of unnecessary plastic packaging and lids	2	4	+2
		Application of label-free packages	2	6	+4
	Improvement of PVC package	Conversion to paper packages	-	15	+15
		Adopting pulp trays	3	98	+95
		Use of renewable polypropylene	-	8	+8
Wider use of eco material products	Increasing the use of eco materials	Adopting biodegradable materials	7	19	+12
		Use of natural materials (sugarcane)	-	7	+7
		Use of upcycling materials (Pet Textile)	5	7	+2
Improvement of recyclability	Improving product recyclability	Reuse after washing	-	2	+2

### Application of Digital Technology for Waste Reduction

LOTTE Department Store adopted for smartphones with "MODI," a mobile application in 2017 to reduce unnecessary paper prints, and the launch of "LOTTE Department Store App" in 2018 has increased customer convenience in checking mobile receipts. As a result, LOTTE Department Store has reduced the purchase of paper receipts by 80%, and a cumulative 5 million customers have used mobile receipts until May 2022, contributing to GHG reduction generated in manufacturing and discarding paper receipts.

It provides a push notification on the app upon purchase to promote the use of mobile receipts. Distinguishing mobile receipts and advertising push notifications induces the spread of notification reception and helps customers recognize that using mobile receipts is eco-conscious.

LOTTE Department Store will continue to improve mobile receipts to attract customers actively. Among other things, it has increased the inquiry period of mobile receipts from three months to one year. It is also planning to introduce a review service based on purchase data of mobile receipts and offer a recommendation service according to the business type.

Furthermore, it switched from paper gift vouchers to mobile gift vouchers that can be used freely at all stores. In particular, entire promotion events began using mobile gift vouchers in April's regular sale in 2022. Mobile gift vouchers are found more convenient as customers can check the remaining value of mobile vouchers real-time and use the amount freely.

LOTTE Department Store also digitally converted paper brochures for in-store culture centers to the electronic version from October 2021. Also, it has removed a registration card for customers who subscribe to culture centers. Instead, customers can have their registration status checked on the LOTTE Culture Center website from 2020, a move to help protect the environment and improve customer convenience.



## Procurement of Raw Materials and Circular Use of Resources

LOTTE Shopping has adopted systemic quality inspection procedure to offer safe products to customers, and a product development guideline for sustainable product distribution. to distribute safe products to customers. Centering around LOTTE Mart and Super that carry Private Brand products, a new raw material procurement policy is being developed based on this guideline.

### Quality Inspection

LOTTE Mart is cooperating with The Safety Center of LOTTE Central Research Institute to perform a quality, and working with an external inspection agency for difficult-to-inspect items.



#### Product Inspection

LOTTE Mart systematically inspects new products before distribution in order to offer safe and sustainable products to customers.

#### Quality Inspection of PB Products

LOTTE Mart has internal control over the safety of PB products. It has developed quality policies and standards for product safety to ensure that OEMs can refer to safety standards for manufacturing. Validation of entire ingredients is made for PB products before sales, and products in sales are annually retrieved for compliance with safety standards. Furthermore, an outside specialized inspection agency visits OEMs once a year to check for products' hygienic and safe manufacturing.

#### Quality Control of Chemical Products

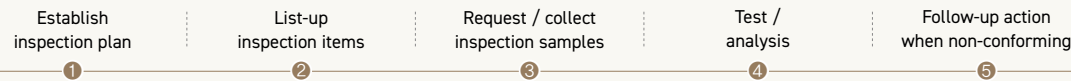
Six chemicals of MIT, CMIT, PHMG, PHMB, PGH, and Triclosan harmful to the human body are banned for all PB products, and all ingredients of sterilizer are checked before sterilization treatment. Also, training is provided to raise awareness of product safety control and strengthen safety control capabilities for employees, executives, and OEMs.

#### New Product Safety Inspection

New Development

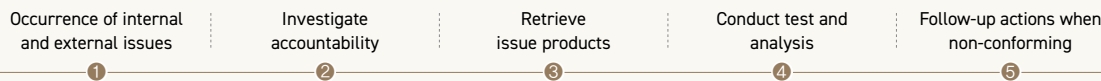
- Legal standards: Standards and Specifications for Food and the Electric Appliances and Consumer Products Safety Control Act
- Internal corporate standards: it has established self-standards for unregulated items for preemptive management

Regular inspection



- Advanced inspection according to government inspection
- Inspection of seasonal products (holiday gifts, fresh fruits and vegetables, kimchi ingredients, anniversary products)

Issue inspection



- Quality issues exposed to the media and social network
- Competitor's products with problems

### Expansion of Eco-certified Products

LOTTE Shopping is striving to supply sustainable products beneficial for the earth. To this end, it has established its standards for distributing eco-friendly products and increased communication with customers through

eco-friendly products. It will continue introducing eco-friendly products, contributing to the earth's health and customers.

#### Animal Fresh Meat

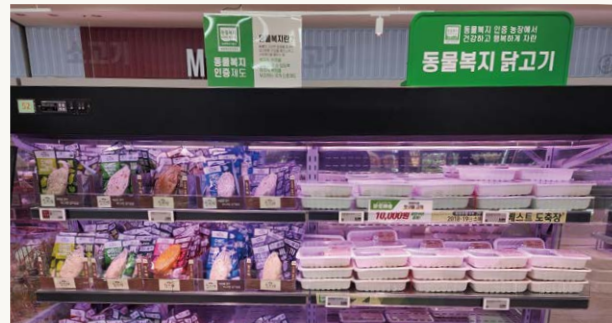
LOTTE Mart thoroughly manages the place of origin through the traceability of fresh meats. The system enables consumers to see information on a breeding farm, breeding place, shipping using a traceability number, and find eco-friendly certification system (unique numbers), making it easy to check eco-friendly products of animal products. LOTTE Mart launched animal welfare chicken first-ever among retailers in October 2015. It also launched animal welfare pork in April 2020 and is now available across all stores. As consumers' interest in healthy food increases, animal welfare food accounted for roughly 40% of total chicken sales, and pork took

up approximately 3% of total pork sales in 2021. In January 2020, in line with the trend of high-end food, a brand called "Jirisan Pure Korean Beef" was certified as an antibiotic-free product and is currently sold across all stores, taking up roughly 10% of the Korean beef category. The company has sold eco-friendly gift packages with reusable cooling bags, paper subsidiary materials, and water ice packs since January 2022 to boost the recyclability of gift packaging discarded during the holiday season.

#### Sales status of animal welfare livestock products

(Unit: each, KRW 100 million)

Classification	SKU		Sales	
	2020	2021	2020	2021
Chicken	27	57	128	147
Pork	30	39	21	40



<Chicken store selling animal welfare-certified chicken>

#### Sales status of non-antibiotic livestock products

(Unit: each, KRW 100 million)

Classification	SKU		Sales	
	2020	2021	2020	2021
Korean beef	71	70	110	117
Duck meat	13	11	13	22



<Pork store selling animal welfare-certified pork>

#### Sales status of gift sets packaged with eco-friendly subsidiary materials

(Unit: each, KRW 100 million)

Classification	SKU		Sales	
	2020	2021	2020	2021
Gift set	56	69	126	147



<Antibiotic-free Korean Beef Gift Set and Eco-friendly subsidiary materials>



**Fishery Products**

LOTTE Mart is expanding the product group that acquired international certifications for sustainable maintenance of resources for fishery products and prevention of reckless fishing. It handles three kinds of dried anchovies and three types of seaweed kelp. It also sells salmon, pollack, skate, and abalone certified by MSC/ASC Association. One can inquire about production, processing, and distribution records in a seafood traceability system that keeps and manages seafood traceability data.



**Eco-friendly Standards**

Eco-friendly certification	Eco-friendly raw materials	The Eco-friendly method of production	Eco-friendly packaging materials	Other products that improve the environmental impact
<p><b>Ministry of Environment’s “Environmental Product Declaration”-certified products</b> Environmental Product Declaration (carbon footprint, water footprint) Low carbon certification</p> <p><b>Products labeled with global Eco Mark</b> <b>Fresh food:</b> Agricultural products (Pesticide-free Certification and Organic Certification), Fishery products (ASC Certification and MSC Certification)/ Livestock products (Organic Certification and Pesticide-free Certification) Animal Welfare Certification <b>Processed food:</b> Organically processed food (Organic Certification)/ Pam oil(RSPO Certification) <b>Non-food products:</b> Fabric (RSC Certification, GRS Certification)/ Paper (FSC Certification)/ Lumber (FSC Certification)</p> <p><small>*Confined to the products whose certificate is valid at the last phase of commercialization Eco-friendly raw materials</small></p>	<p><b>Plant-based and natural food replacing animal-based and chemical-based food</b> Meat substitutes (artificial meat), plant-based eggs, animal welfare products, dairy alternatives</p> <p><b>Products are replaced with biodegradable materials,</b> such as Polylactic acid (PLA) teabags and filters.</p>	<p><b>Food produced in Pesticide-free, Organic, and eco-friendly methods</b></p> <p><b>Raw materials and products produced at the MOE-designated eco-friendly production plant or a clean factory</b></p>	<p><b>Conventional synthetic resin and plastic packaging -&gt; Paper or biodegradable (PLA) packaging</b> including paper packaging, biodegradable vinyl, and biodegradable pulp</p> <p><b>Products and reusable packages contributing to the ease of recycling</b> Products using removable stickers</p>	<p><b>Products that restrained waste generation than before</b> Label-free potable water, washable roll cleaner, productions without plastic lids, etc.</p> <p><b>Products that contribute to the environment and our health by reducing pollutants and toxic materials</b> Packages made from ethanol ink minimize harmful substances, packages that reduce ink consumption, etc.</p> <p><b>Eco-friendly communication within a store</b> Refill station, cutting vinyl rollback, collecting containers for eco pets, etc.</p>

\*Partially applied and expanding

**Status of Eco-friendly PB Product Launch and 2022 Plan for LOTTE Mart**

Classification	Eco-friendly certificate		Eco-friendly raw materials		Eco-friendly manufacturing process		Eco-friendly packaging materials		Other products with less environmental impact		Total
	Food	Non-food	Food	Non-food	Food	Non-food	Food	Non-food	Food	Non-food	
SKU	10	1	8	16	1	-	42	34	6	61	179
Description	Environmental Product Declaration and Anti-biotics-free certification		Use of vegan and natural raw materials		Application of fermentation process		Use of paper packaging and PLA (biodegradable) packaging		Use of renewable and upcycling materials		



### Circular Economy/Resource Recirculation

As a leading retailer in Korea, LOTTE Shopping constantly reduces plastic and other wastes generated in production, distribution, and sales. LOTTE Shopping is engaging in various activities to recycle resources suitable for the characteristics of each Business Division, contributing to environmental preservation and materializing circular economy for business sustainability.



#### Implementation of a Virtuous Cycle Project for the Environment

LOTTE Mart is pursuing "Let's go together! Environment 5RE", a virtuous cycle project for the environment, mainly aiming to cut the use of vinyl and plastic, the pressing issues in the environment sector recently. The company has set three major objectives of building a virtuous cycle for plastics, expanding eco-friendly packaging, and reducing food wastes, and developed 5RE implementation strategy; Reduce, Replace, Redesign, Reuse, and Recycle. Roles and responsibilities are divided between different departments for effective execution and efficiency, and concrete environmental targets have been defined and shared so that employees can internalize ecological management. Furthermore, the Company is building an environment where employees can create synergy at work, cooperating proactively with affiliates.

#### A virtuous cycle for the environment



#### Launch of Eco-friendly PB Brands

LOTTE Department Store launched the eco-friendly PB brand "OOTT"\* in September 2021 to meet the growing environmental interest in society. LOTTE Department Store participated in developing the new brand that taps into trendy and eco-friendly materials and its fabrics, offering eco-friendly products. Especially, six products showcased under the brand are upcycling products, proactively taking advantage of recycled materials. These products used recycled fabric made from polyester by melting plastic bottles. LOTTE Department Store also had a RE-use campaign to recycle price tags and shopping bags that come with clothes together and operate eco-friendly offline stores utilizing recycled materials.

\*OOTT stands for Only One This Time, meaning that the product can be purchased here at this time only. It is a high-quality PB brand of LOTTE Department Store.

#### Enabling Resource Recycling

LOTTE E-Commerce has developed an eco-friendly last mile packaging manual, contributing to active resource recycling. All stores use water-only icepacks, eco-friendly paper bags, and low-temperature vinyl to deliver packed products with refrigerant and freezer placed at the bottom and ambient temperature products at the top. They also induce customers to use their cooling bags and grocery baskets, encouraging active recycling of resources.



# Social

## Talent Acquisition

As a leading retailer in Korea, LOTTE Shopping strives to acquire excellent talents in many ways who will lead sustainable innovation and growth. To that end, LOTTE Shopping has developed a fair and reliable system for hiring to keep pace with the evolving, by creating a culture for fair recruitment and operating a diverse evaluation system for talents to reach their full potential.

### Year-round Recruitment

LOTTE Shopping began to hire talents year-round in 2021. It engages in various activities to ensure a fair hiring, and hire excellent talents by strengthening fairness and transparency in hiring processes.

Classification	Description
L-Tab (Aptitude and personality test)	L-Tab, the test for character and aptitude, evaluates applicants' capabilities in coping with challenges and performing tasks in a virtual workplace setting.
Feedback to unsuccessful candidates	To ensure fairness in the recruitment process, calculating evaluation scores fairly and transparently, communicating evaluation results to unsuccessful applicants.
Develop fair interviewers	Training and certifying interviewers to evaluate applicants' capabilities with the right attitude, and creating a pool of interviewers.

### Fair Evaluation System

#### Running a Year-round Recruitment System

LOTTE Shopping established "the year-round performance system" followed by a year-round evaluation system in 2019. Employees can record job performance frequently on the "year-round performance board," and their department heads can provide feedback and evaluate in real-time, making impromptu assessments and guiding improvements, and offering an opportunity for employees to develop their capabilities.



### Spreading Fair Recruitment Guidelines and Pledge

LOTTE Mart is spreading the fair recruitment guidelines to ensure a fair recruitment culture by raising awareness of unlawful solicitation and unfair recruitment and preventing corruption with a switchover to the year-round recruitment system. It provides and spreads clear and specific guidelines for recruitment steps from job posting, application receipt, document screening, interview, and new employee selection. Interviewers also pledge to reference and comply with the guidelines during the interview.

### Metaverse Recruitment Fair

LOTTE Department Store adopted "Metaverse Recruitment Fair," which can take place everywhere to keep pace with the rapid change in society in the second half of 2021 for the first time among affiliates. Unlike conventional recruitment booths at each major university, the new form of recruitment fair allowed more candidates to participate by offering a system that can be accessible anytime and anywhere. LOTTE Department Store has created a map referencing newly opened Time Villas Store to introduce and promote opening, and put together a virtual hall with the themes of main department stores to provide a three-dimensional introduction.

#### Operation of a 360-degree Evaluation System

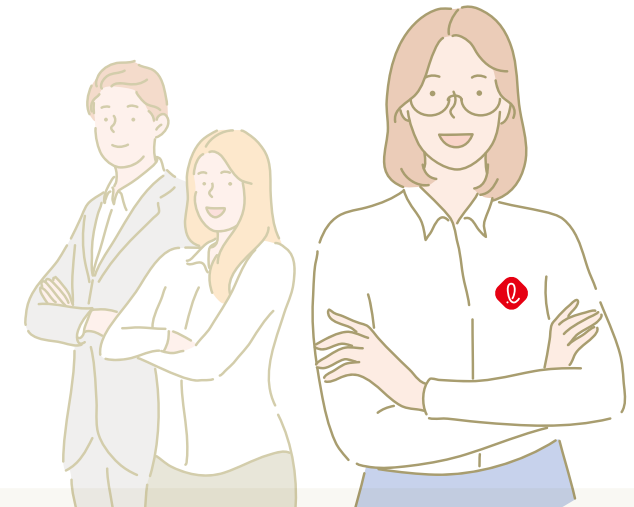
LOTTE Shopping is moving away from unidirectional evaluation by adopting a system to evaluate colleagues and bosses to foster a collaborative organizational culture. A 360-degree evaluation is performed twice a year to create a healthy tension within the organization.

## Strengthening Capabilities of Employees

LOTTE Shopping has various systems and programs for employees and executives to adapt to the evolving times by developing capabilities required for their jobs and positions. It has established a training system, a platform for competency-building, and changed responsibility and - performance-based job position system and pay system, fostering a work environment that motivates employees to focus on building their competency voluntarily.

### Establishing Education System

LOTTE Shopping strengthens employees' competency and operates an effective and systematic training system in each Business Division. It also puts together a curriculum for each position and title, manages diverse training contents, and focuses on talent development and competency-building. A systematic training system raises the efficiency of training results and develops talents suitable for the changing times.



Classification	Department Store	Mart	Super	E-Commerce
Leadership	Leadership development program [Team leader's leadership training] ▲ [Support leader's perception change] ▲ [Set a new leadership model]	Advance leadership course for team leader and store manager [Team leader and store manager leadership coaching] ▲ [New team leader and store manager course] ▲ [Aspiring store manager training]	Task owner coaching and feedback training [Coaching] ▲ [Review] ▲ [Goal setting / team member agreement]	[Executive know-how program] [Interviewer training (Specific to respective jobs)]
Job title	[In-house expert class] [On the job training]	Advancing merchandising training [Level 3. Advanced] ▲ [Level 2. Beginner] ▲ [Level 1. Prep]	Operate systematic job competency enhancement program [Branch manager competency enhancement program] Level up program for branch leader ▲ Store manager prep program + store manager operation management guidelines [Competency-building for major tasks] Support acquisition of certificates for MD, DT, and online jobs [Beginners program for experienced and new employees]	[Sales marketing program] [Product program] [AWS training]
Specialized program	[Townhall meeting with CEO] [Training of would-be store managers] [Operate curating contents]	[Competency-building for executives] [Provide job manual and guidebook]	[Corporate culture training] [Training on rules of safety management] [Fair trade training] [MD food safety training] [Sales food hygiene training] [POG training]	[OKR townhall meeting] [Lott.Ba.Si (Lecture for new employees with work experience)]

### Performance-based Individual Salary System

LOTTE Shopping is inducing employees and executives to voluntarily develop themselves through a performance-based individual salary system and revising the evaluation and compensation system to match rewards with performance. Depending on the characteristics of jobs and organization for each Business Division,

LOTTE Shopping has developed and implemented an optimal system that maximizes employee's performance and raises their satisfaction by adopting and improving a reasonable system, adjusting the percentage of employees eligible for an excellent grade in performance evaluation, and paying individualized salaries.

Classification	Department Store	Mart	Super	E-Commerce
Major Changes	Paying high salary to employees with good performances regardless of promotion by revising the compensation system	Strengthening merit-based differential compensation for employees above M Grade (Manager-level)	Changing the ratio of good performers and the name of pay grade: increase employee's motivation for performance enhancement by increasing the percentage of employees eligible for an excellent grade in performance evaluation  (Base pay) Implement a differential base pay raise depending on performance evaluation results  (Bonus) Implement a differential bonus for employees who remain in the same grade for a long time	Introduce a frequent feedback system to raise acceptance of results and stimulate growth by boosting the quality and quantity of feedback  Abolish the quota system by organization and evaluation grade, and adopt absolute evaluation system  Increase evaluation objectivity: Discuss and debate with other department team leaders and a division head  Strengthen differential compensation depending on evaluation grades
	Differential Salary System: reflecting performance evaluation results and determining a pay grade and accumulating differential merit pay on top of base pay	Abolishing starting salary for promotion  Increasing the ratio of good performers from 10 % to 15%  Accumulating yearly differential base pay and bonus depending on performance evaluation results		

### Establishment of a Role-based Rank System

LOTTE Shopping has established a role-based rank system and minimized the number of ranks by integrating discrete ranks. That created an environment to nurture next-generation leaders by lowering excessive fatigue for promotion and shortening the minimum duration for promotion. LOTTE Shopping has reached a consensus with employees and executives by explaining the system, getting consent in the system improvement process, and offering proper compensation if necessary to ensure no employees suffer a disadvantage.

### Competency Building Training

LOTTE Shopping offers various training opportunities to employees for competency-building based on a systematic training scheme.

(Unit: person(s), hours, KRW 1 million)

As-is	
Grade	Title
S1 (3yrs)	Senior Manager (7yrs)
S2 (4yrs)	
M (6yrs)	Manager (6yrs)
SA (4yrs)	Assistant Manager (4yrs)
A (3yrs)	Staff (3yrs)

[5-level Rank] standard duration: 20yrs

To-be		
Grade	Title	Role
S (7yrs) <small>*Executives in 5th year are eligible</small>	Senior Manager (7yrs)	Team Leader
M (6yrs)	Manager (6yrs)	Playing coach
SA (4yrs)	Assistant Manager (4yrs)	Working level
A (3yrs)	Staff (3yrs)	

[4-level Rank] standard duration: 20yrs, Minimum duration: 18yrs

Total headcount	Department Store	Mart	Super	E-Commerce
Total persons	3,868	2,253	3,418	856
Total hours	101,694	24,393	43,183	17,383
Total cost	2,613	670	87	780



## Cooperative Labor-Management Relationship

LOTTE Shopping has continuously improved the labor environment through trust-based labor-management relationships and a sense of community. Each Business Division holds a Labor-Management Council regularly to raise communication, and head-office-level and store-level Councils get together to find common ground that serves mutual interests. Also, an annual review is carried out to improve working conditions substantially, consequently fostering harmonious Labor-Management relations and facilitating the execution power on the field.

### Active Labor-Management Communication

LOTTE Mart is enhancing understanding and relations of Labor and Management and listening to opinions of various job groups and ranks. As such, it is working on active communication between Labor and Management. To this end, it operates "Labor-Management Roundtable" and "On-site Empathy Meeting."

#### Labor-Management Roundtable

**Frequency** Yearly

**Participants (employer)** Support Division Leader, Labor Affairs Team Leader, and Labor Affairs staff  
**(employees)** Chair and leaders of Labor Union (Representatives and members of Standing Executive Committee)

**Agenda** Sharing received issues, overall corporate business and vision, and Labor-Management issues

#### On-site Empathy Meeting

**Frequency** three times a year

**Participants (employer)** Support Department Leader, HR Team Leader, Labor Affairs Team Leader, and Training Team Leader  
**(employees)** Consisting of various job groups and ranks

**Agenda** Site visit to introduce the system directly and gather opinions through interviews with employees

### Labor-Management Council

LOTTE Shopping is strengthening cooperative relations between labor and management by establishing and operating Labor-Management Council based on Labor Relations Act for each business site and Business Division. Through Labor-Management Council, various topics are discussed and consulted to improve working conditions for employees and executives, building constructive Labor-Management relations.

Classification	Department Store	Mart		Super	E-Commerce
		Head Office	Stores		
Frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Number of participants Employer/Employee	3 persons / 3 persons	3 persons / 3 persons	3 persons / 4 persons	4 persons / 6-9 persons	4 persons / 4 persons
Remarks	Convene special meeting if necessary	-		HQ and Store personnel attend simultaneously	Convene special meeting if necessary

### Received External Awards for Labor Management

LOTTE Department Store and LOTTE E-Commerce have engaged in active communication and consultation to improve working environment and working conditions. As a result, their achievements are being recognized externally. LOTTE Department Store acquired the Best Labor Relations Certificate organized by the Ministry of Employment and Labor in 2020 for the betterment of the labor culture in the company. After receiving the 15th Presidential Commendation for Outstanding Company with Equal Employment, organized by the Ministry of Employment and Labor in 2015, LOTTE E-Commerce's efforts are recognized for establishing cooperative, healthy, and constructive Labor-Management relations in the sectors like Labor-Management culture and work-life balance.

Classification	Year	Organizer	Areas	Award grade
Department Store	2020	Ministry of Employment and Labor	Best Labor Relations Certificate	
	2018	Ministry of Employment and Labor	How to Work-Life Balance Competition	The Top Prize
E-Commerce	2017	Ministry of Employment and Labor	Grand Prize in Labor Management Culture	Prime Minister's Awards
	2015	Ministry of Employment and Labor	The 15th Outstanding Company with Equal Employment	Presidential Commendations



### Cooperative Organizational Culture

LOTTE Shopping operates discrete programs to foster cooperative Labor-Management Culture in the organization. The company is laying a foundation for sustainable business management by creating a flexible and balanced organizational culture by identifying existing corporate problems with employees and executives and opening a communication channel to engage the MZ generation actively. Also, it makes a good workplace and lays the foundation for talent development.



#### Operation of a Junior Board

LOTTE Shopping has a Junior Board, an open communication channel for senior management to listen to the opinions of MZ generation employees at the Business Division level. Senior management mainly gathers views of MZ generation employees, and their answers are shared through a bulletin board and video clips across the company. As such, the company strives to improve its organizational culture.

#### Operation of Change Agent

LOTTE Shopping has 'Change Agent,' a task force team to drive an innovative corporate culture by Business Division. LOTTE Mart carried out a "project to eliminate non-value-added tasks" to eliminate unnecessary and unreasonable works through Change Agent, improving a total of 12 jobs. LOTTE Department Store has conducted employee FGI and interview-based surveys for objective data collection regarding current organizational problems. In addition, it also carried out the "Do Something Challenge," an internal startup system for open innovation to foster challenging and growing culture.

#### Task Force Team on Communication and Innovation

LOTTE Department Store is actively participating in resolving company-wide issues by establishing a task force on innovative communication in February 2021 to communicate with people on the ground proactively. The task force team has prevented and dealt with workplace harassment and abuse of power as focus areas. To this end, the team has operated a report center and published the company culture report. Also, it directly tackled issues through on-site diagnosis. Department Store has various responsibilities by nature, so it has provided training programs after analyzing job responsibilities to help employees not to experience any difficulties and fixed problems with inefficient tasks. Besides, it has strengthened its capabilities to resolve issues by exploring best practices of HR in other companies.

#### Operation of Monthly Super Sound

LOTTE Super shares business direction monthly, led by the CEO, and operates "Monthly Super Sound" to promote communication between employees and executives. The event takes place in real-time with the CEO of the Business Division and employees to share the Business Division's strategy, ethical management, and fair trade training. Feedback to the questions and comments are posted on an anonymous internal board called "Im-Gui-Dang-Gui."

## Safety Culture at Workplace

LOTTE Shopping has organized a safety management organization at all business sites, including head office, to prevent critical industrial accidents and manage the safety of business sites. Each Business Division has established safety-related management policies, conducts safety management inspections and training based on the policies, and does its best to minimize industrial accidents while making all-out efforts to ensure safety.

### Safety Management Policy by Business Division

#### Department Store

- I. We will never compromise on safety and do our best to create a healthy work environment for employees and executives.
- II. We will comply with all relevant laws and company policies regarding health and safety and embrace the opinions of suppliers and stakeholders actively.
- III. We will devise an improved health and safety plan every year to advance the health and safety management system and take the lead for a mature health and safety culture to take hold by engaging in continuous activities for risk prevention and improvement.

#### Mart

- I. Respect for human life: safety of customers and employees shall be the top priority.
- II. Prevention and Training: We shall hold regular training to minimize damage in the event of a disaster and do its best to prevent disasters every day.
- III. Corporate Social Responsibility: We shall fulfill our responsibility to benefit both the company and members of society by normalizing the business quickly in disaster-stricken areas.

#### Super

- I. All employees and executives at LOTTE Super have the safety of employees and customers as a top priority. With this in mind, we will establish a safe work environment by continuously preventing accidents and removing risk factors.
- II. We will simultaneously establish and execute health and safety plans, including items and budget, as we develop an annual business plan for the following year.
- III. We will encourage regular training and execution so that employees comply with health and safety regulations strictly.

#### E-Commerce

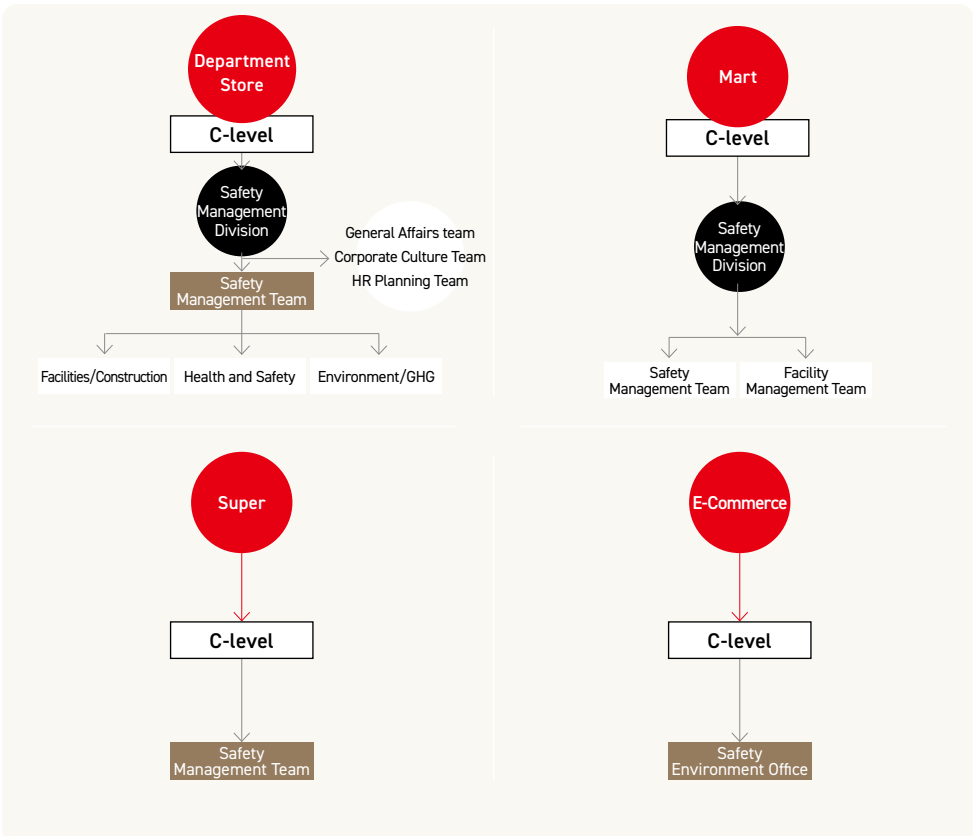
- I. We will never compromise on safety and will do our best to foster a healthy work environment for employees and executives.
- II. We will comply with all laws and company policies regarding health and safety and actively accept the opinions of suppliers and stakeholders.
- III. We will develop an improved annual health and safety plan to advance the health and safety management system and take the lead in health and safety culture through continuous risk prevention and improvement activities.

## Strengthening Safety Management Policy and Organization

To build a safe work environment and prevent critical accidents, the company has formed a safety management organization under the CEO, streamlined decision-making processes, and secured independence, establishing a health and safety management system.

### Forming a Safety Management Organization

Department Store and Mart Business Divisions have promoted safety management organization as a team to be directly controlled by the CEO, ensuring independence for an effective safety management system.



### Safety Management Activities

LOTTE Shopping is taking precautions to prevent safety accidents by spending over 2% of revenue on safety management, such as facility inspection, system maintenance, strengthening health and safety, and critical industrial accidents. In 2022, the budget will be increased by 10% to minimize critical industrial accidents through diverse activities.

(Unit: KRW 000 Mil.)

Classification	Facility Inspection	Maintenance	Strengthening health and safety	Other	Total	2022 plan
LOTTE Shopping	1,353	478	14	9	1,854	Raise by over 10% compared to 2021
Department Store	957	266	2	3	1,228	
Mart	285	165	11	3	464	
Super	111	47	0.6	2.4	161	
E-Commerce	0.3	-	0.7	0.5	1.5	

### Regular Inspection Activities

LOTTE Shopping conducts regular inspections according to the situation of each Business Division. Internal and external inspections are conducted annually through 'LOTTE Safety', LOTTE Holdings' safety management system, to prevent safety accidents.

Department Store	Safety clinic (three times a year)/ regular inspection (bi-annual)/ regular fire inspection (bi-annual)
Mart	Regular inspection (bi-annual) / special inspection (frequent)
Super	Walk-around inspection (every other month)/ precision inspection (self / solitary) / self-inspection (monthly)
E-Commerce	Safety inspection (monthly) / Risk assessment (yearly)
LOTTE Safety	Four Business Divisions of LOTTE Shopping conduct safety consulting through the LOTTE Safety system. They can inspect overall safety management on and off-site, facility operation, and training status.

### Safety Inspection

LOTTE Shopping regularly checks major facilities that may cause safety accidents and manages them through professional personnel. The company is taking precautions through regular inspections to ensure that critical industrial accidents do not occur.

### The Status of Major Hazardous Facilities

(Unit: location)

The company identifies the locations with fall, fire, electric shock, and choking risks and takes measures to prevent the recurrence with pre-inspection and guidance.

Classification	Fall risk factor	Fire risk factor	Electric shock risk factor	Chocking risk factor
LOTTE Shopping	3,995	972	5,432	1,096
Department Store	1,416	150	2,979	644
Mart	1,782	155	2,124	236
Super	797	667	329	216

### Professional Personnel

(Unit: company, person)

LOTTE Shopping manages risk factors with professional on-site personnel through cooperation with safety-specialized partners.

Classification	Specialized partners	Professional personnel	Remark
LOTTE Shopping	64	2,819	Facilities, elevator inspection, continuous operation of FMS
Department Store	21	1,615	
Mart	10	752	
Super	33	452	

### Reinforcing Safety Management during Vulnerable Periods

LOTTE Shopping spreads information about the vulnerable period for safety management and measures to strengthen safety management during the period susceptible to safety accidents, such as a thaw and torrential rain. Also, the company is vigilant of safety management in any period through intensive prevention and responses. Through these efforts, the company is committing itself to stave off potential accidents in advance.

Classification	Lunar New Year and Chuseok holidays	Thawing period	Summer time	Winter time
Department Store	<ul style="list-style-type: none"> <li>• Fire prevention</li> <li>• Safety management at construction sites</li> <li>• Checking up safety status of elevators</li> <li>• Checking up fixation of interior finishes</li> </ul>	<ul style="list-style-type: none"> <li>• Checking for crack and settlement of facilities</li> <li>• Inspecting for leaking pipes in fire-fighting facilities</li> <li>• Measuring insulation resistance in distribution board</li> <li>• Fixation of large banners and signages outdoor</li> </ul>	<ul style="list-style-type: none"> <li>• Cooling tower and fountain</li> <li>• Legionella control and water quality testing</li> <li>• Management of fire prevention such as checking for thermal burns of outdoor AC unit</li> </ul>	<ul style="list-style-type: none"> <li>• Fire safety training and fire drill (evacuation exercise in the event of an emergency)</li> <li>• Checking and improving risk factors of vulnerable facilities</li> <li>• Checking leakage of outdoor air through the exterior walls of buildings and countermeasures</li> </ul>
Mart	<ul style="list-style-type: none"> <li>• Notifying measures to strengthen safety management during holidays (Lunar New Year and Chuseok) Strengthen safety management for two weeks before the holiday</li> <li>• Conducting a special inspection preparing for holidays Conduct spot inspection at 4-5 stores for each region (38 stores received spot inspection for Lunar New Year in 2022)</li> </ul>	<ul style="list-style-type: none"> <li>• Notifying a policy to strengthen safety management during a thaw From the 3rd week of October in the current year to the end of February next year</li> <li>• Safety management trainer conducts spot inspection at 3-4 stores for each region</li> </ul>	<ul style="list-style-type: none"> <li>• Notifying a policy to strengthen safety management for summer From the end of May in the current year to the end of storm damage and flood damage (mid-October)</li> <li>• Checking for abnormalities during safety management trainer's regular inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Notifying a policy to strengthen safety management during a thaw From the 3rd week of October in the current year to the end of February next year</li> <li>• Safety management trainers conduct spot inspections at 3-4 stores for each region</li> </ul>
Super	<ul style="list-style-type: none"> <li>• Fire prevention inspection for holidays</li> </ul>	<ul style="list-style-type: none"> <li>• Safety management inspection for a thaw</li> </ul>	<ul style="list-style-type: none"> <li>• Safety management to prep for storm damage and flood damage</li> </ul>	<ul style="list-style-type: none"> <li>• Safety management inspection to prep to prevent damage from cold snap and frozen rupture</li> </ul>
E-Commerce	<ul style="list-style-type: none"> <li>• Two times a year (Lunar New Year and Chuseok)</li> <li>• Inspect business sites before and after holidays</li> <li>• Train employees and executives (the reporting system to report the occurrence of an accident)</li> <li>• Emergency contact directory (daily report)</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Once a year (every December)</li> <li>• Pre-inspect facilities before the winter season</li> <li>• Special inspection upon cold wave warning</li> <li>• Train employees and executives (fire prevention)</li> <li>• Launch safety events (campaign)</li> </ul>

### Receipt of External Awards and Certification

LOTTE Shopping has established a systematic safety management system, leading the industry in the safety sector. The system has enabled LOTTE Shopping to manage safety more sophisticatedly.

#### Receipt of External Awards

LOTTE Mart has received a commendation from the Minister of the Interior and Safety for fostering a safe workplace by thoroughly executing safety inspections.

#### Certification Acquisition

LOTTE Mart has acquired ISO 45001 certification, the international standard for health and safety management systems, for the first time as a hypermarket. ISO 45001 is a global certification system to manage health and safety systems within an organization by predicting and preventing various risk factors at business sites. LOTTE Mart's health and safety system is recognized for being compliant with global standards.



## Customer Satisfaction and Service Improvement

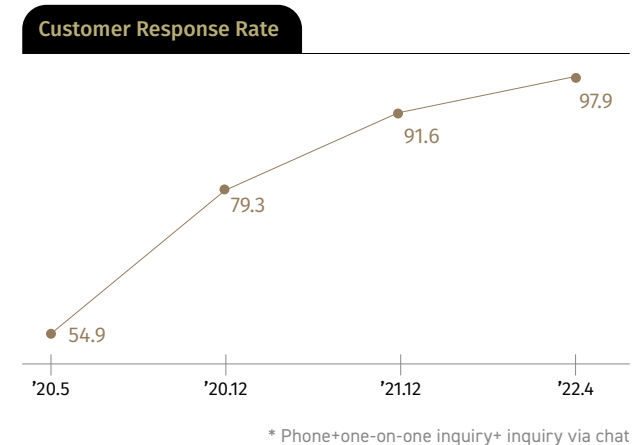
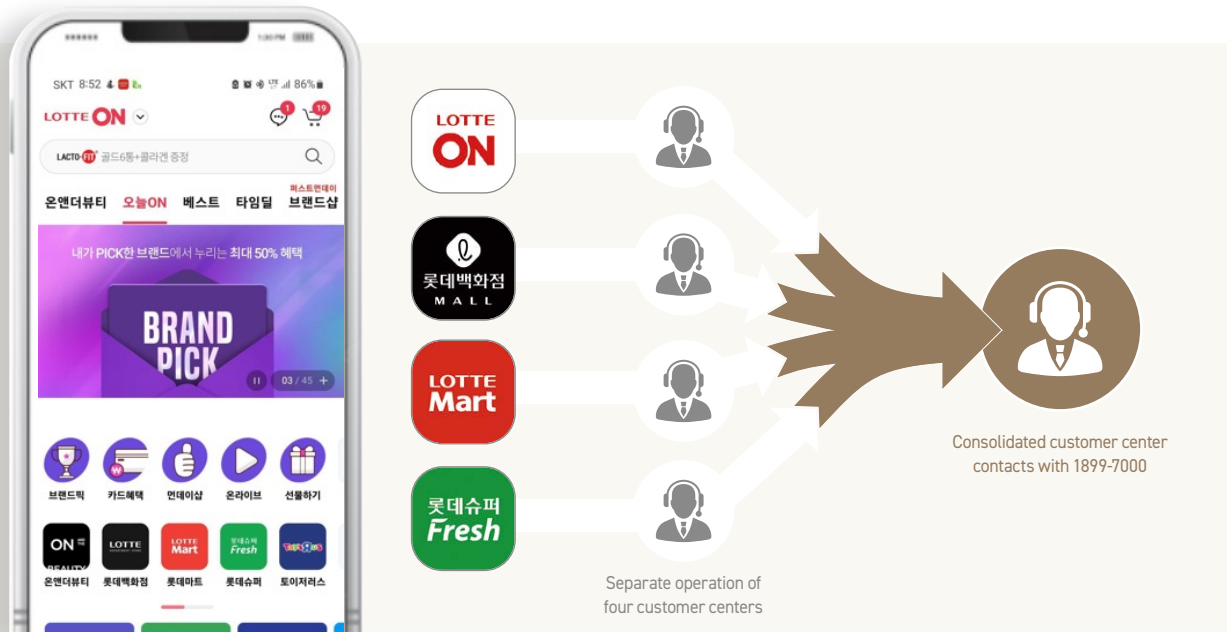
LOTTE Shopping strives to raise customer satisfaction and provide better services to customers to fulfill LOTTE Group's Vision, 'We enrich people's lives by providing superior products and services that our customers love and trust.' Meeting consumers at the forefront daily, LOTTE Shopping provides differentiated services to present the best customer experience, focusing on customers' points of view from product quality, delivery, and customer service across the value chain.

### Reinforcement of Counseling Service at Customer Center

LOTTE Shopping is strengthening customer service at the customer center to provide high-quality service for customer satisfaction. The customer services are consolidated and centrally operated by unifying customer center phone numbers that used to differ for each Business Division. The consolidated customer center addresses the inconvenience of customers who had to contact customer services separately for each Business Division and enhances customer service efficiency so that customers can receive customer service more conveniently. To maintain customer service level during deteriorating economic conditions in COVID-19 period, the Company allowed and expanded staff at the customer center to work from home. Also, it has strengthened a retention program to keep high performers and reflected evaluation results, leading to better customer response rates and quality of customer services. Besides that, it has diversified service channels, raising access and convenience of customers. The Company has established and operated a chatbot and chat customer service channel and is offering the industry-first voice message customer service in November 2020.

### Operation of New Service

LOTTE Shopping is launching various new services to boost customer satisfaction. Aligned with delivery companies, the company introduced the "LOTTE ON Arrival Probability System" in March 2021 to let customers know when their deliveries would arrive. With this system in place, roughly 6,000 delivery inquiries per month have disappeared, lowering the operational burden due to explosive delivery inquiries and increasing customer satisfaction. The Company is preparing for a new delivery alarm message, traceability of products purchased directly from overseas, and "Fresh Quality On," a new service to return stale products immediately in the future. It plans to offer high-caliber services to customers for endless enhancement of customer satisfaction.





## Strengthening Voice of the Customer (VOC)

LOTTE Super is actively responding to the needs and complaints of customers Management by strengthening the system for Voice of the Customer and raising the service quality. VOCs received

through a customer center used to be shared via e-mail, but now they are shared within LOTTE Super's internal system. Also, excellent stores and employees with good VOC feedback are selected every month and rewarded to encourage employees' active engagement.

### Flowchart of VOC Reporting and Sharing

Registering	Alarm	Confirming / Processing	Warning	Managing	Reporting
<ul style="list-style-type: none"> <li>Register VOCs in Sales Information System (Customer Support Team) Batch uploading and DB storage</li> </ul>	<ul style="list-style-type: none"> <li>Send an SNS message to related Store Manager</li> <li>Check individually if SNS alarm off Complete data registration daily after 4 p.m.</li> </ul>	<ul style="list-style-type: none"> <li>Confirm the VOC at the store Review facts and details</li> <li>Revise and reflect confirmed content (must be made within 2 days after registration)</li> </ul>	<ul style="list-style-type: none"> <li>Input the list of people who will receive a warning letter Send an SNS alarm and a warning letter</li> <li>Easy to manage warnings 24/7</li> </ul>	<ul style="list-style-type: none"> <li>Retain and manage cumulative cases Automatic counting by category, store and person (Including counting of issuance of warning letters)</li> </ul>	<ul style="list-style-type: none"> <li>Reflect data in Business Information System Develop improvement measures through the trend analysis of cases by store and category</li> </ul>

## Drive DT innovation

LOTTE Super has adopted digital technology in stores to maximize customer service and implemented various service innovations.

### Introduction of Digital Picking Cart

LOTTE Super has adopted a digital picking cart to simplify picking, a task to pick goods stored in the warehouse and shorten picking time by up to 10 minutes per order. It can track stock levels in real-time through picking cart tablets and prevent picking errors by linking with a product code. Digital Picking Cart has minimized customers' inconvenience and made room for employees to focus on customers by simplifying work and reducing employee fatigue.



\* Picking refers to the process of pulling individual items from the storage area in the warehouse.

### Analysis of Customer Behavior Data

In effort to offer customized service, a pilot project is underway in LOTTE Super stores to install cameras in gondolas to analyze customer behavior, such as customer flow and product selection. Display of products is altered optimally based on the analysis, creating pleasant store environment.

### Expansion of Kiosk Installation







Since COVID-19, as untact shopping is widespread, the Company is expanding self-service kiosk installation to support customers to enjoy shopping and pay safely without contact. The expansion of the kiosks has improved customer convenience by providing customers with an environment where customers who picked a few items do not need to stand in a queue for payment. It will continue to expand its self-service kiosk.

## Corporate Social Responsibilities

LOTTE Shopping regards CSR as part of its corporate strategy to become a leading contributor to national and local communities. The Company has been avoiding one-off or simple donations to society. Instead, it has been developing a CSR strategy and program to best utilize characteristics of intrinsic capabilities of the retail industry and be aligned with a corporate strategy with long-term goals. It focuses on social and environmental sectors with employee volunteer activities, community partnerships, and environmental protection activities. In particular, it has expanded RE:JOICE campaign, a psychological counseling project, to boost people's self-esteem and to root for the dreams and challenges of everyone in 2021.

### Activating RE:JOICE Project

LOTTE Shopping changed the purpose of the RE:JOICE campaign from helping women with depression to cheering for dreams and challenges to support self-esteem, dreams, and challenges of people in all walks of life, such as women, youth, and the vulnerable in 2017. It opened psychological counseling center at LOTTE Department Store Centum City in August 2020 and continues to engage in corporate contribution activities linked with psychological counseling.

Major Activities		Description	Remark
Internal	Release campaign song for International Women's Day 	On the occasion of International Women's Day on March 8, 2021, LOTTE Shopping announced a campaign theme song, "For you, my sunshine," with renowned artists. Proceeds of the song were donated to help neighbors in need. We also play the music across all branches of LOTTE Department Store and offices when employees get off work at the end of the day.	<Participating artists> Juck Jae, Kwon Jin Ah, Lee Jin Ah
	Celebrity lecture series 	LOTTE Shopping selected and invited female celebrities at the top of their respective areas for lecture series under the theme of women's self-esteem and challenges. Five lectures were delivered by professor Lee Soo Jung, CEO Choi In Ah, composer Kim Eana, actress Kim Hyun Sook, and Dr Yang Jae Jin. The lecture series was to provide employees and executives with experience of the RE:JOICE campaign.	270 employees attended
	Operating inhouse psychological counseling center 	LOTTE Shopping has an outreach program in which professional counselors visit local stores in person and have psychological counseling and healing classes for employees. They visited Department stores, Mart, and Super branches in remote areas, including Wonju in Gangwon province, Icheon in Gyeonggi province, Mokpo and Muan in Jeollanam-do province, and Pohang in Gyeongbuk-do province, heightening satisfaction of employees living in local areas.	150 employees participated
External	Launched "Mindcare" program 	LOTTE Shopping launched the "Mindcare" program for low-income women. The program began its 1st period in the first half of 2020 and ran 3rd and 4th periods in 2021. And 37 institutes and 961 women participated in the psychology care programs in total, and participating institutes were highly satisfied.	37 institutes and 961 women participated
	Operating RE:JOICE psychological counseling center 	LOTTE Shopping operate the "Re:JOICE psychological counseling center" where anybody can visit nearby branches of LOTTE Department Store and LOTTE Mart and get counseling. Customers using the Re:JOICE psychological counseling center can get services including a personality test, family and childcare counseling, art psychology counseling, and IQ test for children at a lower price than other private counseling centers. All proceeds are donated to the RE:JOICE campaign fund for low-income women.	Number of accumulated counseling cases: 2,050 cases
	Launching "RE:JOICE WARM CROWD FUNDING" 	Working with LOTTE ON, LOTTE Shopping launched a program to support young care providers who get to study and take care of a sick family member at the same time. Through crowdfunding via the internet, LOTTE Shopping has donated KRW 1,000 for every click, and a total of KRW 30 Mil is collected. Self-development and psychological counseling services worth KRW 1 Mil. were delivered to 30 young care providers in total.	30 young care providers in total, Sent KRW 1 Mil. each

## Community Outreach Programs

### Charlotte Volunteer Group

LOTTE Mart's 112 stores have forged one-on-one sisterhood with local children's welfare centers nationwide. They have been volunteering under the slogan of "Future to Dreamers" from 2011 until now. The volunteer group is donating products and participating in diverse activities with children to help the children to adapt to society well.

### In-kind Donations

LOTTE Department Store has been donating goods after collecting returned products ordered on online shopping mall monthly. LOTTE Mart has been donating fresh produce every month through the "FOOD Happiness Sharing Campaign" at 112 stores since 2016. It works with nationwide food banks to deliver fresh produce, such as fruits, vegetables, and fisheries, to the underprivileged in the region. A total of KRW 5.67 billion has been accumulated as of May 2022.

## Environmental and International Programs

### Recycling Slow-moving Inventory/ Aging Inventory

LOTTE Shopping takes the lead in practicing environmental conservation by donating slow-moving inventory, minimizing discarded products, and at the same time, recycling them. LOTTE Mart has organized a "Big Sharing Festival" with the Songpa-gu Office and "Eco-friendly Daejeon Bazaar" with the Ministry of Environment. Through these events, it has donated KRW 1.02 billion worth of slow-moving inventory.

### Improvement of Drinking Water Vietnam

LOTTE Mart has been donating 10% of proceeds from selling eco-friendly unlabeled PB to save water for five years, from 2018 to 2021. It supported the Vietnamese drinking water project and "Save the Children," an international private relief organization to provide clean and hygienic water by supplying rainwater collection and purification devices on World Water Day in 2021. A total of KRW 450 million has been donated until now.

### Disaster Relief

LOTTE Shopping has established a public-private response cooperation system with a disaster relief association worth KRW 3 Billion for five years from 2018 to undertake speedy relief activities upon a large-scale disaster and donated relief kits and goods to underprivileged families. LOTTE Shopping donated fans, heat wave kits, and cold wave kits to the Center for doss houses in preparation for a heat wave and a cold wave. It provided make-shift facilities and necessities such as laundry vehicles, mobile toilets, and shower booths to disaster-stricken sites such as torrential rain, wildfire, and typhoon.

### Retail Dream Makers

LOTTE Shopping has supported underprivileged youth for employment and start-up coaching programs in retail sector since 2019. It has provided practical lectures, field training, mentoring, and consulting on employment and interview in retail sector. It has sponsored 274 persons, 167 of whom have landed a job.



### COVID-19 Prevention Fund in Vietnam

LOTTE Shopping has donated KRW 160 million to Vietnam, a country suffering from the rapid spread of COVID-19.



# Governance

## Sound Governance

LOTTE Shopping introduced the Charter of Corporate Governance, a top-level regulation of governance principles and policies, with the Board of Director’s approval on May 13, 2021, to achieve world-class corporate governance to enhance long-term shareholder value and promote the rights and interests of stakeholders. Under the Charter, LOTTE Shopping secures fairness, transparency, and independence in the governance structure and operates a governance system with checks and balances.

## Board Composition

The Board of Directors of LOTTE Shopping consists of nine directors appointed at the General Shareholders’ Meeting. Five directors, the majority of the nine directors, are outside directors to perform Board functions independent of the management and controlling shareholders. The Board of Directors consists of inside directors of professional and objective professional executives, and independent outside directors, who serve to supervise and advise management to form the Board of Directors with checks and balances. In particular, the Audit Committee, one of the committees within the Board of Directors, consists of all outside directors to enhance independence and transparency. As of June 2022, when the report is written, out of nine directors are five outside directors (55.6% of all members). As for the inside directors, the Board searches and recommends the right candidates. For the outside directors, Article 382 Paragraph 3 of the Commercial Act and Article 542-8 of the Commercial Act apply to the requirements of the Outside Director Candidate Recommendation Committee for more detailed and objective recommendation and verification. The candidates for outside directors are recommended through a separate agenda resolution process, and those recommended through this process are appointed at the General Shareholders’ Meeting. The chairman of the Board of Directors is appointed through a resolution of the Board. Outside directors consist of experts with expertise and experience in various fields, such as legal, financial, accounting, and public sectors.

## Board Governance

The retail industry, the central business sector of LOTTE Shopping, is heavily influenced by diversified retail channels, a rapidly evolving consumer environment, and domestic and international issues. To maintain the business competitiveness through strategic and rapid decision-making by directors with

deep knowledge and expertise in the retail industry, the CEO is appointed as an inside director and chairman of the Board.

The company’s management and retail experts participate in decision-making as inside directors to materialize accountable management. And outside directors bring in diverse and objective perspectives to the Board as experts in law, finance, accounting, and public sectors.

### Representative Director’s authority delegation in case of absence or incapacity

Under Article 36 of the Article of Incorporation, the Vice President shall perform the duties when the representative director cannot perform them. The Executive Director shall perform the tasks when the Vice President cannot fulfill their obligations.

If the Representative Director retires, a candidate confirmed by the Board shall be prepared for succession until the candidate is appointed as inside director at the General Shareholders’ Meeting to secure business continuity and stability. The outgoing Representative Director shall be appointed as an advisor according to Article 3 of the Regulations on the role of advisor to ensure a smooth post-succession.

## Evaluation and Remuneration of the Board

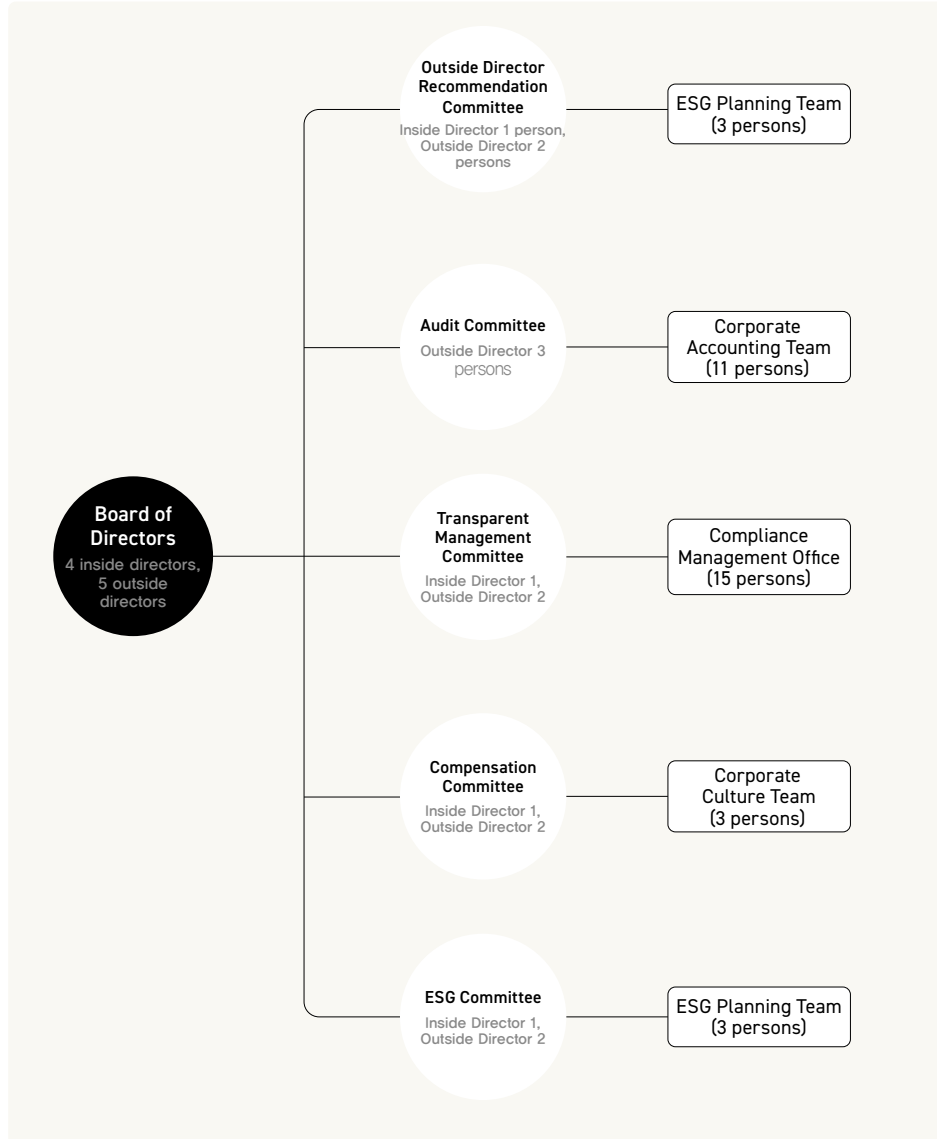
LOTTE Shopping appropriately reflects the Board’s management evaluation results in remuneration under Article 11 of the Charter of Corporate Governance. The Board determines the amount of compensation or expenses within the range decided by the General Shareholders’ Meeting resolution.

The remuneration of inside directors shall be paid within the limit determined by the resolution of the general shareholder’s meeting under Article 388 of the Commercial Act, Article 42 of the Articles of Incorporation, and Article 11 of the Regulations of the Board of Directors. The Compensation Committee determines the Company’s executives’ remuneration to strengthen management transparency.

Classification	Headcount (persons)	Total remuneration (KRW 1 million)	Average remuneration amount per person (KRW 1 million)
Outside director*	2	148	74
Audit Committee member	3	239	80

\*Excluding Audit Committee member

### Organization Chart of the Board



### Board Composition

Classification	Name	Job position	Career highlights
Outside	Kim Do Sung	Director	Financial Investment Authorization Committee of the Financial Supervisory Service, International Director of Sogang University, (Current) Vice President of Korea FP Association, (Current) Professor of Business Administration at Sogang University, (Current) member of Dispute Mediation Committee of the Korea Exchange
	Kim Dae Yong	Director	Researcher at the National Institute of Health, Assistant Professor of Information Statistics at Hankuk University of Foreign Studies, Assistant Professor of Statistics at Ewha Womans University, (Current) Professor of Statistics at Seoul National University
	Jeon Mi Young	Director	Joongang Economy columnist, (Current) Research professor of Department of Consumer Science, College of Life Science, Seoul National University, (Current) CEO of TrendKoreaCompany Co., Ltd.
	Shim Su Ok	Director	Executive Director of Samsung Electronics Video Display Business Division / Global Marketing Division, Vice President of Global Marketing at Samsung Electronics, Professor of Business Administration at Sungkyunkwan University, (Current) Professor of Graduate School of Business Administration at Sungkyunkwan University
	Cho Sang Cheol	Director	Chief prosecutor of Daejeon District Prosecutors' Office, Chief prosecutor of the Seoul Western District Prosecutors' Office, Chief prosecutor of the Seoul High Prosecutors' Office, (Current) Representative attorney of Law Firm Samyang
Inside	Kim Sang Hyun	Representative Director Chairman of the Board	P&G ASEAN President, Homplus CEO, DFI Hong Kong Singapore Corporation CEO, (Current) Vice Chairman, Group CEO / LOTTE Retail HQ
	Chung Joon Ho	Representative Director	Head of Overseas Fashion Division of Shinsegae International Representative Director of LOTTE GFR, and (Current) CEO of LOTTE Shopping Department Store Business Division
	Kang Sung Hyun	Representative Director	CEO of LOTTE Shopping H&B Business Division, Representative Director of LOTTE Nestle Korea, (Current) CEO of LOTTE Shopping Mart Business Division
	Jang Ho Ju	Director	Head of LOTTE Department Store's Finance Division, Head of LOTTE Shopping HQ's Finance Division, (Current) head of HQ financial Innovation of Distribution group, LOTTE Group



### Operational Status of the Board

LOTTE Shopping has regulations on the Board and Committees within the Board. In principle, a regular Board will convene once a month. The establishment and resolution of the Board are determined by the approval and the attendance of more than half of the directors. In addition, special board meetings are held from time to time if necessary.

Classification	Board Meeting frequency	Number of agenda items for discussion	Attendance rate of outside directors
Board of Directors	16	60	97.5%

\*As of the 2021

### Sub-committees of the Board

LOTTE Shopping establishes and operates Committees within the Board of Directors to enhance its expertise and efficiency in the operation of the Board of Directors. There are five committees within the Board of Directors: the Audit Committee, the Outside Director Recommendation Committee, the

Transparent Management Committee, the Compensation Committee, and the ESG Committee. As of June 2022, all five Committees are composed of more than 50% outside directors.

Sub-committees	Composition	Chairman	Members	Roles
<b>Audit Committee</b>	More than three persons (more than 2/3 of Outside Directors)	Outside Director Kim Do Sung	Outside Director Kim Do Sung Outside Director Kim Yong Dae Outside Director Shim Su Ok	<ul style="list-style-type: none"> <li>① The Committee shall audit the accounting and business of the company.</li> <li>② The Committee shall annually review the performance of the Committee and the adequacy of the Committee provisions and propose amendments to the board, if necessary.</li> <li>③ In addition to paragraphs 1 and 2, the Committee shall handle matters stipulated by statutes or Articles of Incorporation and matters as mandated by the board.</li> </ul>
<b>Outside Director Recommendation Committee</b>	More than two persons (more than half of Outside Directors)	-	Inside Director Jang Ho Ju Outside Director Jeon Mi Young Outside Director Kim Yong Dae	<ul style="list-style-type: none"> <li>① The Committee shall recommend candidates for outside directors at the general shareholder’s meeting.</li> <li>② The Committee shall include candidates for outside directors recommended by shareholders with the rights to exercise under Article 542(6)2 of the Commercial Act when recommending candidates for outside directors.</li> <li>③ In addition to paragraphs 1 and 2, the Committee shall handle matters stipulated by statutes or Articles of Incorporation and matters as mandated by the board.</li> </ul>
<b>Transparent Management Committee</b>	More than three persons (more than 2/3 of outside directors)	Inside Director Kim Sang Hyun	Inside Director Kim Sang Hyun Outside Director Kim Do Sung Outside Director Cho Sang Cheol	<ul style="list-style-type: none"> <li>① When signing a contract over a certain size between the company and related parties, the Committee shall ensure a fair transaction by presenting criteria for selecting the counterpart of the contract.</li> <li>② In the event of signing a private contract of more than KRW 5 billion with affiliates in construction, logistics, advertising, and system integration sectors. The Committee shall be authorized to deliberate and approve the contract if a non-registered director enters into a private contract (directly or indirectly related) with the company with potential conflicts of interest.</li> <li>③ The Committee is authorized to request a correction, recommendation, and, if necessary, presentation of the agenda to the board regarding the status and compliance of internal transactions with affiliates in construction, logistics, advertising, and system integration sectors, significant policies related to social philanthropy activities, and reports on implementation details.</li> </ul>
<b>Compensation Committee</b>	More than three persons (more than 2/3 of outside directors)	Outside Director Cho Sang Cheol	Outside Director Cho Sang Cheol Outside Director Jeon Mi Young Inside Director Chung Joon Ho	<ul style="list-style-type: none"> <li>① Remuneration limit and performance bonus for registered director</li> <li>② Director’s remuneration band by rank and other matters as mandated by the board.</li> </ul>
<b>ESG Committee</b>	More than three persons (more than 2/3 of outside directors)	Outside Director Jeon Mi Young	Outside Director Jeon Mi Young Outside Director Shim Su Ok Inside Director Kang Sung Hyun	<ul style="list-style-type: none"> <li>① The Committee shall internalize sustainability in corporate decisions and manage risks and opportunities associated with ESG activities.</li> <li>② The Committee shall deliberate on all matters necessary for corporate ESG policies and actions.</li> </ul>

## Shareholder-friendly Management

LOTTE Shopping is implementing shareholder-friendly management to enhance the rights and interests of shareholders in line with the Company's growth. We will continue to strengthen shareholder-friendly management to increase the trust of shareholders by actively and transparently disclosing information and actively engaging in communication with shareholders.

### Shareholder Status

Under Article 2(1) of the Charter of Corporate Governance and Article 24 of the Articles of Incorporation, LOTTE Shopping states that shareholders' voting rights are one per share at the General Shareholders' Meeting and give fair voting rights. As of the report creation date, there is no registered preferred stock issue. As of June 2022, the number of shares issued is 28,288,755, and shares with voting rights are 28,270,640 (99.94% of issued shares), excluding treasury stock with limited voting rights under the Commercial Act.

Classification	Issued shares (share)	Remark
Issued shares	28,288,755	Treasury shares (18,115 shares)
Shares with voting rights	28,270,640	99.94% of issued shares



## Shareholder-friendly Policy

### Protection of Shareholders' Rights

LOTTE Shopping tries to reflect the opinions of many shareholders and increase shareholder participation. Thus, the electronic voting system was introduced to allow shareholders to exercise their voting rights from the General Shareholders' Meeting in 2021. An electronic notice was sent to shareholders to increase shareholders' participation in the General Shareholders' Meeting in 2022. LOTTE Shopping has participated in the voluntary compliance program since 2018 to disperse the dates of General Shareholders' Meeting of different companies. We inevitably held the general shareholders meeting on the day when many shareholders' meetings are expected to be held due to the schedule for significant business activities and the smooth operation of the general shareholders meeting in 2020. However, the general shareholders' meetings in 2021 and 2022 were held on the day when the general shareholders' meetings do not concurrently take place to increase shareholders' attendance in the general shareholders' meeting. We have announced the date, venue, and purpose of the general shareholders meeting through the Financial Supervisory Service's electronic disclosure system two weeks before the general shareholders meeting to allow shareholders to review and exercise their voting rights thoroughly. Also, we have Article 27 in the Articles of Incorporation to enable shareholders who cannot attend the general shareholders meeting in person to submit a power of attorney before the general shareholders meeting for their agents to exercise their voting rights instead.

### Shareholder Communication

LOTTE Shopping is transparently disclosing information related to corporate governance operations. We disclose various information regarding governance structure, including the Articles of Incorporation, the introduction of board members, board regulations and operational status, and committee rules and operational status for transparent governance structure on our IR website ([www.lotteshoppingir.com](http://www.lotteshoppingir.com)).

Classification	52 <sup>nd</sup> General Shareholder's Meeting (in 2022)	51 <sup>st</sup> General Shareholder's Meeting (in 2021)	50 <sup>th</sup> General Shareholder's Meeting (in 2020)
Days packed with the general shareholders meetings	March 25, 2022 March 30, 2022 March 31, 2022	March 26, 2021 March 30, 2021 March 31, 2021	March 13, 2020 March 20, 2020 March 26, 2020 March 27, 2020
Day of the general shareholders meeting	March 23, 2022	March 23, 2021	March 27, 2020
Avoidance of busy days packed with other general shareholders meeting	Yes	Yes	No
Holding electronic vote	Yes	Yes	No
Exercising voting rights by agents	Yes	Yes	No

## Information Security Management System

LOTTE Shopping has established the Information Security Management System to deal with increasingly complex and advanced security threats. We receive professional consulting every year to protect data assets and personal information from cyber-attacks, such as hacking and ransomware, and actively strengthen our Information Security Management System by implementing improvement

measures derived from the diagnosis results. LOTTE Group's Data Protection Committee organizes a yearly diagnosis of data protection levels for all group companies. On top of that, we also run our diagnosis and assessment on LOTTE Shopping's data protection level. We are strengthening the Information Security Management System with improvement measures through these activities.

### Information Security Management System

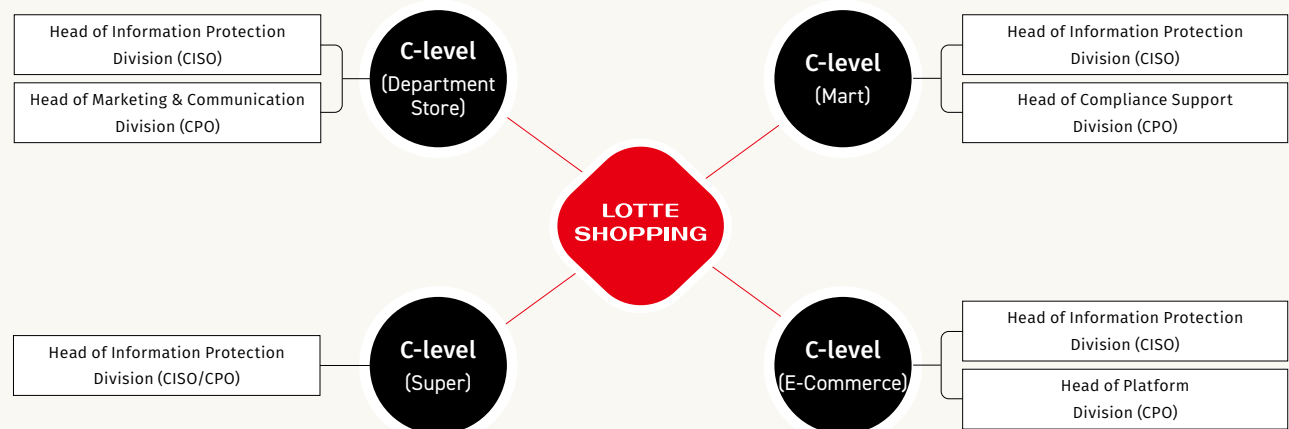
LOTTE Shopping acquires and maintains Information Security Management System (ISMS) certification under the Information Security laws and runs certification reviews for certification renewal and maintenance.

Classification	Valid period	Certification scope
Department Store	From October 2021 to October 2024	Operation of online service for LOTTE Department Store (website, Culture Center, wedding)
Mart	From November 2020 to November 2023	Operation of online service for LOTTE Mart Culture Center
Super	From February 2022 to February 2025	Operation of online service for LOTTE Super (Main website, Shared Growth website, Business Information System, Partners' portal)
E-Commerce	From February 2022 to February 2025	Operation of online service for online shopping mall (LOTTE ON, CONRANSHOP, MUJI, mobile gift certificate, e-coupon)

### Information Security Organization

LOTTE Shopping has appointed the Chief Information Security Officer (CISO) to operate the Information Security Management System under domestic information protection laws and formed a dedicated information security organization to manage LOTTE Shopping's information security comprehensively. In addition, LOTTE Shopping has appointed the Chief Personal Information Protection Officer (CPO) for each Business Division to oversee the personal information of customers and employees according to the characteristics of each Business Division. Since June 2022, LOTTE Shopping has changed the organization structure to separate information protection organizations by Business Division in line with the characteristics of each Business Division. In addition, LOTTE Shopping has formed a working-level council on information protection and the council meets every quarter to share major issues and the latest security issues in information protection area with relevant departments and officials and to discuss ways to strengthen information protection.

As of June 2, 2022



### Information Protection Policy

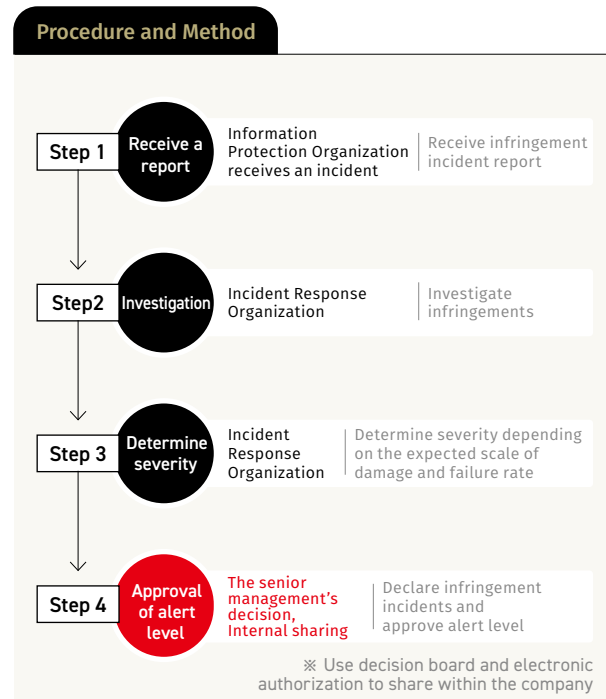
LOTTE Shopping has established policies and guidelines for information protection, adopted top-level information protection policies as internal regulations to ensure that employees and executives comply with laws and systems related to information security and personal information protection, and continuously maintained the ISMS.

LOTTE Shopping revises the information protection policies, guidelines, and manuals annually to reflect the latest laws and systems and changes in IT and business environments. Also, it posts on groupware and bulletin boards so that all employees can read them at any time. LOTTE Shopping's information protection policies comprise 13 chapters and 68 articles. The guidelines consist of 9 integrated guidelines for LOTTE Shopping and one personal information protection guideline for each Business Division.

LOTTE Shopping Information Protection Policy (Regulation)			
LOTTE Shopping Information Protection Guidelines (9)			Personal Information Protection Guidelines for each Business Division (1)
Management Areas (5)	Physical Area (1)	Technological Area (3)	Personal Information Area (1)
Operation of Information Protection Organization, Management of Information Asset, Personnel Security, Employee Management, Outsourcing Management	Physical Security	IT Security, Operation of Cloud, Management of Electronic Finance Security	Personal Information Protection Guidelines (Internal Management Plan)

### Security Incident Response System

LOTTE Shopping has established and operated a system to respond to infringement accidents with various cyber-attacks. In cooperation with LOTTE Group's Security Control Team (CERT), it has a year-round response system, such as security monitoring, to prevent infringements and measures from preventing them. In addition, we conduct a mock exercise on virus email to prevent hacking through virus email in consultation with Korea Internet & Security Agency (KISA) and the Group Information Protection Committee and a mock exercise at least more than once a quarter, including LOTTE Shopping's internal exercise. We have set up an information protection system, including various solutions and firewalls such as EDR, encryption, network, server access control, media control, ISP, network, and email APT (Advanced Persistent Threat). We monitor it 24/7 using a security control service. We also diagnose overall infrastructure and services weaknesses through security vulnerability diagnosis and mock hacking and create improvement measures. We also have built and operated a disaster recovery system to ensure continuity of the central system. We run disaster recovery exercises to assess and improve our disaster recovery system's effectiveness and structure.



### Raising Employee Security Awareness

LOTTE Shopping rolls out mandatory training on information protection for all employees and executives to raise their awareness of information protection. It also strengthens the capabilities of personnel tasked with information protection by conducting in-depth training for system operators and developers for their job. In addition, we run information protection campaigns with the Group's Information Protection Committee every month by sharing security issues with employees and executives and placing new posters in offices and branches to arouse employee interest in information protection.



2021

2022

## Protection of Customer's Personal Information

### Information security management system

LOTTE Shopping has established an internal control plan for personal information, taking into account the characteristics of each business division to protect the customer's personal information. We also have developed personal information protection guidelines, including collecting, using, and processing personal data and managerial and technical protection measures, and posted them on groupware and bulletin boards for employees to reference at any time. In addition, LOTTE Shopping has designated the Chief Protection Officer (CPO) for personal information by Business Division to oversee the management of customer's personal information. For the safe management of personal data, we operate security solutions such as database encryption storage and access control, file encryption storage (DRM), additional user authentication, and personal information masking. We periodically monitor access and personal information inquiry and inspect unauthorized access and abnormal signs.

### Personal Information Compliance

LOTTE Shopping complies with domestic and foreign laws, such as the Personal Information Protection Act, the Information and Communication Network Promotion and Information Protection Act, the Electronic Financial Transactions Act, and the OECD Guides. When developing or introducing new customer services and systems, LOTTE Shopping reviews security compliance in various aspects, such as managerial, technological, and legal. A compliance security review is conducted in multiple fields such as management, technical, and legal. We also monitor the compliance status through the Group's diagnosis on the information protection level annually.

### Personal Data Disclosure and Compliance

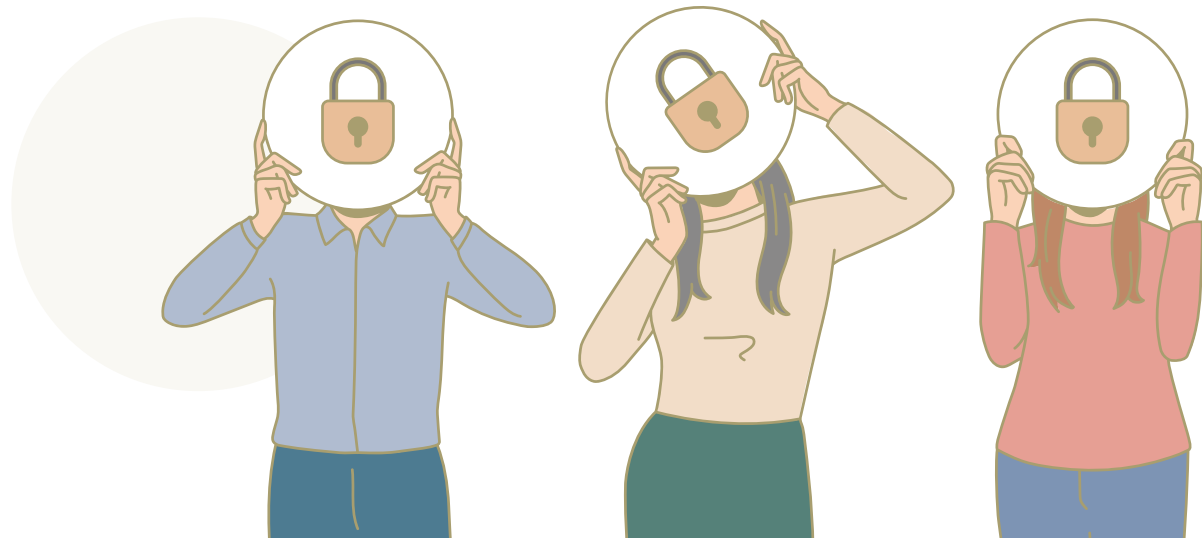
LOTTE Shopping collects and uses the information at the minimum when collecting personal information and discloses the personal information processing policy that summarizes the collection and use of the customer's data, retention period, provisions, and status of entrusting on the website.

### Personal Data Protection Training

Personal data protection education is mandatory for all employees and executives to raise personal data protection. LOTTE Shopping is providing additional training to those handling personal data to enhance the management level of personal data according to the characteristics of each job.

### Management of Personal Data Trustee

LOTTE Shopping entrusts personal data management to provide customers with various services. When charging personal data, we inspect and train trustees to manage personal data at the level we expect and comply with legal requirements, including technical security. We regularly conduct training and inspection on the trustee of personal data protection once a year to ensure that the trustee maintains the level of personal data management.





## Compliance Management

With our mission of “We enrich people’s lives by providing superior products and services that our customers love and trust”, LOTTE Shopping always puts compliance management as our top priority. It fulfills corporate social responsibilities, the very basis of business activities. As part of our efforts to strengthen sustainable management, we constantly monitor legal and institutional framework changes to comply with all laws and regulations concerning business activities, such as fair trade and anti-corruption. We also conduct training for employees to prevent management risks and implement the system of internal control standards through regular monitoring and analysis of evaluation results.

### Compliance Management Policies

LOTTE Shopping has established the following compliance management policies and shared them with our employees and partners. We will announce the results to all employees and executives and conduct continuous training and review to spread compliance management.

#### LOTTE Shopping’s Declaration of Compliance

We shall faithfully comply with domestic and foreign laws and internal regulations in performing our business and shall not engage in illegal acts under any circumstance.

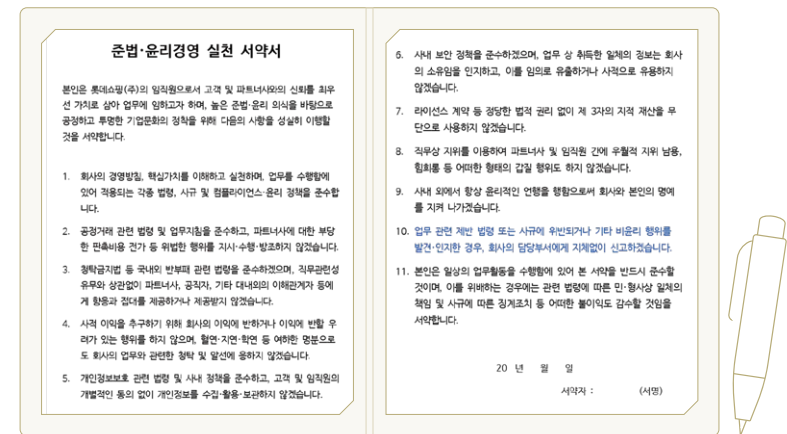
We shall recognize that we need to grow together with all our partners and work on establishing a fair trade culture.

We shall actively participate in the Company’s compliance practices and strive to create an anti-corruption environment, and fulfill social responsibilities to strengthen our competitiveness based on ESG activities.

## Creating Compliance Culture in the Organization

### Pledging Compliance and Ethical Management

Every year employees and executives pledge to practices of compliance and ethical management to raise awareness of compliance for each and every employee and executive.



### Management of Conflicts of Interests

We define all direct or indirect transactions with executives (including outside directors) or relatives of executives as ‘transactions with related parties’. We implement internal procedures to make it mandatory to notify all transactions with potentially related parties to the Compliance Management Office to manage conflicts of interest risk for the senior management. In addition, transactions with related parties shall be reported to the board annually. All executives shall check the status of transactions with related parties once a year and submit confirmation of compliance.

### Compliance Training

We regularly conduct compliance training to strengthen our awareness and establish a compliance culture. The training includes information on compliance systems, corruption risks, internal control systems to prevent conflicts of interest, and related laws for all employees annually. In addition, we provide separate in-depth training regarding high-risk areas such as personal information protection, fair trade, and sexual harassment.

### Compliance Management System

LOTTE Shopping introduces and operates the "Compliance Control Standards" that reflect the compliance control standards for listed companies, revised and distributed by the Ministry of Justice and the Korea Listed Companies Council, with the Board's approval in January 2019.

The Standards ensure the independency of compliance officers in executing their duties with strict procedures for the dismissal of compliance officers and security of tenure. It also ensures that the system to support compliance officers under the Commercial Act can be operated effectively internally by stipulating the overall work of compliance officers, such as compliance education and compliance inspection.

As a result, our company has enacted and revised company regulations and policies and checklists in various compliance fields, including Compliance Business Regulations, Fair Trade Business Regulations, and Anti-Corruption Management System Operation Guidelines as basic regulations to prevent compliance risks. We also operate the compliance reporting center (<https://www.lotteshopping.com/pr/kor/respon/compliance>) and the ethics hotline (<http://ethics.lotteshopping.com/bbs/estimate/write>) as an official reporting channel for breach of compliance and ethics.

In practice, we operate internal systems and procedures for compliance in key management areas, such as entertainment, donations, sponsorship, new transactions, and internal transactions. In addition, we also regularly monitor employees' compliance with internal policies and procedures and take actions to improve deficiencies.

### Transparent Management Committee

The Transparent Management Committee was established to review and approve large-scale optional contracts with affiliates, to request data necessary for deliberation, to request the status of internal transactions between affiliates other than the discussion agenda, and to recommend improvement measures. The Transparent Management Committee shall convene whenever necessary, and members of the Transparent Management Committee shall be appointed through a resolution of the Board of Directors who can contribute to the compliance management after deliberation and review based on relevant laws and regulations. Currently, we have one in-house director and two outside directors as members. The Transparency Management Committee has convened 31 times since June 2012 and has directly reviewed the company's internal transaction issues. LOTTE Shopping will continue to ensure that the company's business activities are transparent through the Transparent Management Committee's preliminary deliberation on significant problems that may cause conflicts of interest.

### Establishment of Global Compliance Management System

LOTTE Shopping received consulting through domestic and foreign law firms to undertake the establishment of a compliance program in 2017. Based on this, the LOTTE Department Store business division has obtained and maintained ISO 37001 certification, an international standard for anti-corruption management systems, from September 2018 until now. Besides LOTTE Department Store, all Business Divisions of Super and e-commerce obtained accreditation for the anti-corruption system in September 2021. In 2022, the scope of risk areas will be expanded to include fair trade and industrial safety to obtain ISO 37301 certification, an international standard for the compliance management system.



### Participating in Public-Private-International Organization's Anti-corruption Efforts

As a UNGC (UN Global Compact Network Korea) member since 2007, LOTTE Shopping has participated in joint anti-corruption efforts with the public, government, and international organizations. UNGC is an UN-affiliated organization and the world's largest voluntary corporate citizenship initiative to reflect global discussions and agreements in human rights, labor, environment, and anti-corruption sectors in the corporate strategies for operation and management and to offer practical ways to promote sustainability and corporate citizenship. LOTTE Shopping joined the Fair Player Club in 2018. Since 2019, LOTTE Shopping has been working towards business sustainability as the members have shared their practices of operating compliance systems through an anti-corruption working group every year and engaged in communication on major issues such as the enactment and revision of anti-corruption laws and policies.

## Integrated Risk Management (IRM)

LOTTE Shopping strives to identify risks proactively and respond amid the rapidly changing external environment at a corporate level. To this end, it has divided risks into financial and non-financial risks that may affect material impacts on business activities and established a management system

by discovering potential risk factors for prevention and minimizing risks with optimal responses in the event of risks. It also expands the scope of risks to the value chain of all stakeholders, such as partners and customers.

### Risk Management System

LOTTE Shopping has formed an organization to manage risks, identify risk factors before executing businesses, and develop management and countermeasures. To manage risks to the environment, society, and governance more systematically, it declared the year 2021 the starting year of ESG engagement and established a system to manage ESG activities fully. In September 2021, the ESG committee was newly launched, and each business division had a dedicated ESG team. With that, ESG risks and risk management departments are clearly defined, creating the risk management system. Furthermore, the corporate risk management process will be developed as a foundation for risk control.

### Internal Accounting Control System

LOTTE Shopping has the Internal Accounting Management Regulations to design and operate the internal accounting management system and report its operation status under Article 8(4) of Enforcement Rule of the Act on External Audit of Stock Companies (hereinafter "the External Audit Act") to the general shareholder's meeting, the Board of Directors and audit committee for every business year. In addition, under Article 8 Paragraph 5 of the External Audit Act, the company's Audit Committee shall evaluate its operating status and report the results to the board for each business year. According to Article 8(7), the external auditor shall state the auditor's opinion on the company's internal accounting management system. (According to the External Audit Act revised on November 1, 2018, listed companies with a value of over KRW 2 trillion in assets shall be subject to audit, upgraded from considering auditor's certification of the internal accounting management system.)

### Risk Management Areas

LOTTE Shopping has divided risks with material impacts on business activities into financial and non-financial risks. They are further broken down into finance, the environment, the supply chain ESG risk, human rights, safety, data protection, and compliance. LOTTE Shopping is exerting efforts to define each type of risk, develop countermeasures, and minimize the risks.

Classification	Types of Risk	Definition	Strategy
Financial Risk	Finance	<ul style="list-style-type: none"> <li>Financial risks such as liquidity, credit, and interest rate</li> </ul>	<ul style="list-style-type: none"> <li>Establishing the mid-and-long-term finance management plan, and year-round monitoring of relevant departments</li> </ul>
Non-financial Risk	Environment	<ul style="list-style-type: none"> <li>Risk of legal sanctions and cost due to more stringent environmental regulations, including emission of GHG and toxic materials</li> </ul>	<ul style="list-style-type: none"> <li>Operating Environment Management System and periodic evaluation</li> <li>Expanding activities to reduce energy consumption and increase renewable energy facilities</li> </ul>
	Supply chain	<ul style="list-style-type: none"> <li>Damaged reputation due to supplier's ESG risks and financial risks</li> </ul>	<ul style="list-style-type: none"> <li>Operating self-assessment and developing an action plan for suppliers</li> <li>Support partners' ESG training and engagement</li> </ul>
	Human Rights	<ul style="list-style-type: none"> <li>Risks of human rights violation and talent leak</li> </ul>	<ul style="list-style-type: none"> <li>Developing and executing human rights policy and training employees on human rights</li> <li>Advancing training system for employees and implementing a performance-linked evaluation system</li> </ul>
	Safety	<ul style="list-style-type: none"> <li>Loss and legal risks of safety accidents at work</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a safety management system and retaining professional personnel</li> <li>Conducting regular safety inspections at business sites</li> </ul>
	Data Protection	<ul style="list-style-type: none"> <li>Customer data leak and security breach risk</li> </ul>	<ul style="list-style-type: none"> <li>Operating data protection management system and conducting internal and external inspections regularly</li> <li>Conducting training for employees and executives</li> </ul>
	Compliance	<ul style="list-style-type: none"> <li>Reputation and financial risks due to unfair trade and corruption issues</li> <li>Various sanctions due to breaches of laws</li> </ul>	<ul style="list-style-type: none"> <li>Operating compliance management system and process</li> <li>Operating training and year-round monitoring of employees and executives</li> </ul>

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Third Party Assurance





# ESG Data

## Environment

### Energy Consumption

Category	Unit	2018	2019	2020	2021	
<b>Total non-renewable fuel consumption within the organization</b>	TJ	2,168	1,929	1,610	1,689	
<b>Energy consumption</b>	Electricity	TJ	13,432	12,553	11,456	11,745
	Heat	TJ	-	-	-	-
	Cooling	TJ	-	-	-	-
	Steam	TJ	261	212	199	71
<b>Energy sales</b>	Electricity	TJ	41	40	40	37
	Heat	TJ	-	-	-	-
	Cooling	TJ	-	-	-	-
	Steam	TJ	-	-	-	-
<b>Total energy consumption</b>	TJ	15,861	14,694	13,265	13,505	
<b>Sales</b>	KRW 1 million	9,864,386	9,695,325	8,708,083	8,408,202	
<b>Energy intensity</b>	TJ/KRW 1 million	0.16%	0.15%	0.16%	0.16%	

### Reduction in Energy Consumption

Category	Business Division	2018	2019	2020	2021
<b>Energy savings</b>	Department Store	320	377	220	333
	Mart	-	897	898	954
	Super	9	12	9	13
	E-Commerce	-	-	-	0.15
	<b>Total</b>	329	1,286	1,127	1,300

### Greenhouse Gas Emissions (Scope 1&2&3, domestic)

Category	Business Division	2018	2019	2020	2021
<b>Direct greenhouse gas emissions (Scope 1)</b>	Department Store	44,665	40,648	30,691	37,724
	Mart	33,650	29,008	24,464	22,527
	Super	1,507	1,286	949	843
	E-Commerce	-	-	-	-
	Cinema	3,380	-	-	-
<b>Indirect greenhouse gas emissions (Scope 2)</b>	Department Store	313,118	300,145	277,340	306,569
	Mart	270,025	261,068	238,918	224,369
	Super	72,967	70,176	60,079	50,788
	E-Commerce	303	1,022	943	1,388
	Cinema	20,658	-	-	-
<b>Other indirect greenhouse gas emissions (Scope 3)</b>	Department Store	58	50	72	66
	Mart	28,128	28,170	27,417	25,489
	Super	12,881	12,607	11,286	10,207
	E-Commerce	-	48	40	-
	Cinema	-	-	-	-
<b>Total emissions (Scope 1&amp;2&amp;3)</b>	Department Store	357,841	340,843	308,103	344,359
	Mart	331,802	318,246	290,799	272,385
	Super	87,355	84,069	72,314	61,837
	E-Commerce	303	1,070	983	1,388
	Cinema	24,039	-	-	-
<b>Total</b>	<b>801,340</b>	<b>744,228</b>	<b>672,199</b>	<b>679,969</b>	
<b>Greenhouse gas emissions intensity</b>	tCO <sub>2</sub> eq/ KRW 100 million	8.1	7.7	7.7	8.1

\* In case of Mart Business Division, energy savings have been managed by computer system since 2019.

Current State of Carbon Emissions and Target (domestic)

Category	Business Division	2018	2019	2020	2021	
Greenhouse gas emissions	tCO <sub>2</sub> eq	Department Store	357,841	340,843	308,103	344,359
		Mart	331,802	318,246	290,799	272,385
		Super	87,355	84,069	72,314	61,837
		E-Commerce	303	1,070	983	1,388
		Total	801,340	744,228	672,199	679,969
Greenhouse gas emissions target	tCO <sub>2</sub> eq	Department Store	373,369	359,156	318,771	362,729
		Mart	374,144	347,456	303,554	285,919
		Super	85,833	80,019	67,288	60,665
		E-Commerce	-	1,154	1,048	1,389
		Total	833,346	787,785	690,661	710,702

\* Emissions in 2018 include emissions from Cinema (24,039tCO<sub>2</sub>eq).

Waste Disposal (domestic)

Category	Business Division	2018	2019	2020	2021	
General waste	ton	Department Store	26,307	25,020	20,358	-
		Mart	26,227	26,944	20,140	17,901
		Super	350	279	193	180
		Total	52,883	52,242	40,691	-
Construction waste	ton	Department Store	5	-	10	-
		Mart	-	-	-	-
		Super	-	-	-	-
		Total	5	-	10	-
Total waste	ton	Department Store	26,312	25,020	20,368	-
		Mart	26,227	26,944	20,140	17,901
		Super	350	279	193	180
		Total	52,888	52,242	40,701	-

\* In case of figures for Department Store in 2021, the confirmed data can be identified in November 2022. Mart checks data for recycled waste.

Waste Recycling Rate (domestic)

Category	Business Division	2018	2019	2020	2021	
Recycling amount	ton	Department Store	16,093	21,992	17,987	-
		Super	171	167	100	79
		Total	16,264	22,159	18,087	79
Recycling rate	%	Department Store	61.20	87.90	88.30	-
		Super	48.90	60.00	52.00	44.10
		Total	61.00	87.59	87.97	44.10

\* In case of figures for Department Store in 2021, the confirmed data can be identified in November 2022. Mart checks data for recycled waste.

Water Consumption by Business Site

Category	Business Division	2018	2019	2020	2021		
Intake	Groundwater	Department Store	444,536	364,562	322,092	282,921	
		Mart	-	-	-	-	
	Waster service or other water supply system	Subtotal	4,981,638	5,185,404	4,114,218	4,084,092	
		Water service	Department Store	3,407,720	3,127,639	2,546,667	2,198,550
			Mart	4,981,638	5,185,404	4,114,218	4,084,092
		Industrial water	Department Store	3,407,720	3,127,639	2,546,667	2,198,550
Mart	-		-	-	-		
Total	ton	Department Store	5,426,174	5,549,966	4,436,310	4,367,013	
		Mart	3,407,720	3,127,639	2,546,667	2,198,550	
Recycling amount	Water reclamation	Department Store	136,043	143,772	132,258	116,617	
		Mart	-	41,336	35,237	53,606	
	Rainwater	Department Store	-	-	-	338	
		Mart	136,043	143,772	132,258	116,955	
Total	ton	Department Store	-	41,336	35,237	53,606	
		Mart	5,562,217	5,693,738	4,568,568	4,483,968	
Total	ton	Department Store	3,407,720	3,168,975	2,581,904	2,252,156	
		Mart	-	-	-	-	

Water Pollutant Emissions by LOTTE Mart Fresh Quality Innovation Center

Category	Business Division		2018	2019	2020	2021
<b>BOD</b> (Biochemical Oxygen Demand)	Emissions	mg/L	8.6	19.8	17.4	10.95
	Legal standard	mg/L	120	120	120	120
<b>COD</b> (Chemical Oxygen Demand)	Emissions	mg/L	13	21	27.15	17.85
	Legal standard	mg/L	130	130	130	130
<b>SS</b> (Suspended Solid)	Emissions	mg/L	18.4	56.8	26.95	17.4
	Legal standard	mg/L	120	120	120	120
<b>T-N</b> (Total Nitrogen)	Emissions	mg/L	6.6	7	6.65	24.5
	Legal standard	mg/L	60	60	60	60
<b>T-P</b> (Total Phosphorus)	Emissions	mg/L	2.48	2.91	1.713	1.7795
	Legal standard	mg/L	8	8	8	8
<b>Total Coliforms</b>	Emissions	mg/L	Not detected	2,700	310	-
	Legal standard	개/mL	3,000	3,000	3,000	3,000

Water Pollutant Emissions by LOTTE Mart Osan Osan Distribution Center

Category	Business Division		2018	2019	2020	2021
<b>PH</b> (Power of Hydrogen)	Emissions	mg/L	7.2	7.6	7.85	8
	Legal standard	mg/L	5.9-8.6	5.9-8.6	5.9-8.6	5.9-8.6
<b>SS</b> (Suspended Solid)	Emissions	mg/L	24.4	20.9	13.4	38.45
	Legal standard	mg/L	80	80	80	80
<b>COD</b> (Chemical Oxygen Demand)	Emissions	mg/L	9.8	8.4	5.5	4
	Legal standard	mg/L	90	90	90	90
<b>N-H</b> (mineral oil)	Emissions	mg/L	0.2	0.3	0.45	0.8
	Legal standard	mg/L	5	5	5	5
<b>N-H</b> (oil from animals and plants)	Emissions	mg/L	0.4	0.5	1.3	1.2
	Legal standard	mg/L	30	30	30	30
<b>ABS</b> (alkyl benzene sulfonate)	Emissions	mg/L	0.06	0.04	0.045	0.035
	Legal standard	mg/L	5	5	5	5
<b>T-N</b> (Total Nitrogen)	Emissions	mg/L	1.9	2	3.2	3
	Legal standard	mg/L	60	60	60	60
<b>T-P</b> (Total Phosphorus)	Emissions	mg/L	0.157	0.153	0.3105	0.144
	Legal standard	mg/L	8	8	8	8

## Social

## Implementation of Occupational Health and Safety Management System

Category		Business Division		2018	2019	2020	2021
Safety and health management system	No. of business sites with the safety and health management system	No.	Mart	-	-	-	116
	No. of business sites subject to safety and health management system	No.	Mart	-	-	-	116
	Certification rate (total)	%	Mart	-	-	-	100

## Employee Training on Safety and Environment

Category	Business Division		2018	2019	2020	2021
Training hours	Total training hours a year (per person)	Department Store	24	24	24	24
		Mart	24	24	24	24
		Super	24	24	24	24
		E-Commerce	12	12	12	12
Participation rate	%	Department Store	100.0	100.0	100.0	100.0
		Mart	100.0	100.0	100.0	100.0
		Super	100.0	100.0	100.0	100.0
		E-Commerce	100.0	100.0	100.0	100.0

\* No. of trainings: 4 times

## Employees

Category		Business Division		2018	2019	2020	2021
Total number of employees by gender	Male	No. of persons		7,982	7,901	7,352	6,840
	Female	No. of persons		17,101	17,397	15,439	14,202
Total number of employees by rank	Staff	Male	No. of persons	5,530	5,398	4,999	4,665
		Female		16,279	16,495	14,617	13,701
	Manager	Male	No. of persons	2,197	2,236	2,133	2,083
		Female		408	456	468	491
	Executive or higher level	Male	No. of persons	107	106	96	92
		Female		9	9	7	10
By employment type	Regular worker	Male	No. of persons	7,804	7,723	7,214	6,829
		Female		16,451	16,811	15,033	14,149
	Non-regular worker	Male	No. of persons	30	17	14	11
		Female		245	149	59	53
Total number of employees by age	Under 30	Male	No. of persons	1,036	881	665	558
		Female		1,355	1,071	773	850
	Aged between 30 and 50	Male	No. of persons	6,224	6,183	5,884	5,608
		Female		8,144	7,366	6,335	5,555
	Aged 50 and over	Male	No. of persons	574	676	679	674
		Female		7,197	8,523	7,984	7,797

\* LOHBs employees were excluded from estimating the total number of employees by rank, the total number of employees by employment type, and the total number of employees by age from 2018 to 2020

\*\* Number of LOHBs employees: 553 persons in 2018 / 598 persons in 2019 / 471 persons in 2020

## New Hires and Turnover

Category		Business Division	2018	2019	2020	2021
No. of new hires	By age	Under 30	1,390	650	266	529
		Aged between 30 and 50	1,809	1,063	402	812
		Aged 50 and over	877	600	314	399
	By gender	Male	1,332	635	247	392
		Female	2,744	1,678	735	1,348
	Total number of new hires		No. of persons	4,076	2,313	982
No. of employees and executives who moved to another company	By age	Under 30	1,176	568	360	367
		Aged between 30 and 50	2,004	1,465	1,419	1,380
		Aged 50 and over	1,146	1,114	1,588	1,306
	By gender	Male	1,316	779	716	746
		Female	3,010	2,368	2,651	2,307
	Total number of employees and executives who moved to other company		No. of persons	4,326	3,147	3,367

## Safety and Health Impact Assessment on Products and Services

Category	Business Division	2018	2019	2020	2021
Ratio of products and services which underwent safety and health impact assessment	Department Store	100.0	100.0	100.0	100.0
	Mart	100.0	100.0	100.0	100.0
	Super	100.0	100.0	100.0	100.0
	E-Commerce	100.0	100.0	100.0	100.0
	Total	100.0	100.0	100.0	100.0

\* Due to the characteristics of the business, all products can be sold after verification.

## Violation of Regulations

Category	Business Division	2018	2019	2020	2021
Actions on unethical cases	Department Store	31	20	25	19
	Mart	10	50	21	10
	Super	17	16	32	26
	E-Commerce	5	5	6	6
	Subtotal	63	91	84	61
	The number of cases reported to center	Department Store	41	65	50
Mart		6	22	8	5
Super		13	20	22	7
E-Commerce		3	7	10	11
Subtotal		63	114	90	59

## Discrimination Cases and Corrective Actions

Category	Business Division	2018	2019	2020	2021
No. of discrimination cases	No. of cases	0	0	0	0

## New Partners Screened after Social Impact Assessment and Internal Assessment

Category	Business Division	2018	2019	2020	2021
Ratio of new partners	%	100.0	100.0	100.0	100.0

\* Given the characteristics of the business, partners can be registered after verifying the qualification of the company.

## Violation of Social and Economic Laws and Regulations

Category	Business Division	2018	2019	2020	2021
Financial value of the fine	KRW 1 million	31.3	88.07	43,388	29.4
Non-monetary sections	No. of cases	1	-	1	-

\* Utilized a business report per the rules stipulated in Article 4-3(3) Items to be entered in Business Reports under the Regulations on Issuance of Securities and Disclosure

## The Number and Ratio of Business Sites Which Conducted Corruption Risk Assessment

Category	Business Division	2018	2019	2020	2021
No. of business sites	No. of cases	56	56	54	59
Ratio of business sites	%	97	97	93	100

\* Mart and Super Business Divisions do not have an independent authority related to HR and budgeting. So the head office of each Business Division is regarded as one business site to calculate the standard for business site parameter.

## Governance Body, Employee Diversity, Base Salary and Compensation of Female Employees Compared to Male Employees

Category	Business Division	2018	2019	2020	2021
Ratio of female employees	In total number of executives	7.8	7.8	6.8	9.8
	In total number of employees	68.1	68.7	67.6	67.5
	In total number of managers	15.7	16.9	18.0	19.1
	In total number of regular employees	67.8	68.5	67.6	67.4
Ratio of female base salary and compensation compared to male	Department Store	57.5	62.6	66.2	68.7
	Mart	56.4	61.5	69.5	55.9
	Super	21.2	21.4	18.5	19.0
	E-Commerce	50.8	45.8	44.6	43.1

## Collective Agreement

Category	Business Division	2018	2019	2020	2021
No. of employees	No. of persons	25,083	25,298	22,791	21,042
No. of members	No. of persons	6,641	7,109	7,284	6,744
Ratio of labor union members	%	26.5	28.1	32.0	32.1
Ratio of employees to whom collective agreement is applied	%	52.3	51.4	54.8	52.9

## Minority Group

Category	Business Division	2018	2019	2020	2021		
Department Store	No. of employees with disability	Mild	No. of persons	117	112	100	93
		Severe	No. of persons	47	46	42	42
	Veterans	No. of persons	48	39	42	39	
	Foreigners	No. of persons	2	2	2	2	
Employment rate of minority group out of total number of employees	%	3.4	3.5	3.4	3.3		
Mart	No. of employees with disability	Mild	No. of persons	91	97	93	82
		Severe	No. of persons	183	209	198	176
	Veterans	No. of persons	102	103	105	105	
	Foreigners	No. of persons	1	1	1	1	
Employment rate of minority group out of total number of employees	%	2.7	3.1	3.3	3.1		
Super	No. of employees with disability	Mild	No. of persons	85	88	68	61
		Severe	No. of persons	69	71	54	50
	Veterans	No. of persons	8	8	17	13	
	Foreigners	No. of persons	1	-	1	1	
Employment rate of minority group out of total number of employees	%	2.3	2.5	2.6	2.6		
E-Commerce	No. of employees with disability	Mild	No. of persons	6	8	7	8
		Severe	No. of persons	3	6	3	5
	Veterans	No. of persons	9	9	8	14	
	Foreigners	No. of persons	-	-	-	-	
Employment rate of minority group out of total number of employees	%	2.9	2.9	2.4	2.8		

\* Each business division has different method of applying employment rate.



## Ratio of Employees Who Received Performance Evaluation

Category		Business Division	2018	2019	2020	2021
Department Store	Male	%	93.8	94.2	94.1	93.5
	Female	%	71.1	70.7	72.1	68.0
	Office work	%	79.9	79.8	80.6	78.3
	Technical work/ Production work	%	-	-	-	-
Mart	Male	%	81.0	86.1	88.7	83.5
	Female	%	12.4	13.2	13.9	15.2
	Office work	%	32.5	34.3	35.9	35.9
	Technical work/ Production work	%	-	-	-	-
Super	Male	%	78.4	80.3	84.9	96.3
	Female	%	6.5	6.6	7.1	94.0
	Office work	%	95.9	76.3	90.2	90.4
	Technical work/ Production work	%	-	-	-	-
E-Commerce	Male	%	100.0	100.0	100.0	100.0
	Female	%	100.0	100.0	100.0	100.0
	Office work	%	100.0	100.0	100.0	100.0
	Technical work/ Production work	%	-	-	-	-

## Average Training Hours per Employee

Category		Business Division	2018	2019	2020	2021
Average training hours per employee	Department Store	Hours	25.8	47.7	20.3	23.4
	Mart		30.7	34.0	33.1	35.7
	Super		20.1	16.2	7.9	19.7
	E-Commerce		59.0	77.0	22.0	20.3

## Childcare Leave

Category		Business Division	2018	2019	2020	2021
No. of employees who took childcare leave	Male	No. of persons	381	377	348	363
	Female		374	353	352	360
No. of employees who have returned to work after childcare leave	Male	No. of persons	340	328	302	304
	Female		268	247	237	235
No. of employees who have served more than 12 months after reinstatement	Male	No. of persons	308	290	247	258
	Female		188	195	193	196
Reinstatement rate of employees who took childcare leave	Male	No. of persons	89.2	87.0	86.8	83.7
	Female		71.7	70.0	67.3	65.3
Ratio of employees who have served for more than 12 months after reinstatement	Male	No. of persons	90.6	88.4	81.8	84.9
	Female		70.1	78.9	81.4	83.4

## Legally Required Training Hours and the Number of Employees Who Took the Training

Category		Business Division	2018	2019	2020	2021
Training on the improvement of awareness on people with disabilities at work	Training hours	Hours	1.4	1.4	1.3	1.3
	No. of trainees	No. of persons	16,586	16,668	16,372	14,402
Training on the prevention of sexual harassment at work	Training hours	Hours	1.4	1.5	1.3	1.3
	No. of trainees	No. of persons	18,291	16,684	16,499	14,407
Training on the prevention of harassment at work	Training hours	Hours	1.0	1.0	1.0	1.0
	No. of trainees	No. of persons	4,581	16,691	15,155	14,407

## Work-related Injuries and Diseases

Category	Business Division	2018	2019	2020	2021
No. of work-related injuries and ratio	Department Store	2(0.2)	7(0.7)	-	4(0.4)
	Mart	64(2.2)	61(2.2)	60(2.3)	82(3.2)
	Super	28(2.0)	31(2.6)	16(1.6)	23(2.6)
	E-Commerce	7(5.6)	3(1.8)	1(0.6)	1(0.5)
	Total	101(1.8)	102(2.0)	77(1.6)	110(2.4)
No. of deaths related to work-related accident and ratio	Department Store	-	-	-	-
	Mart	-	-	-	-
	Super	-	-	-	-
	E-Commerce	-	-	-	-
	Total	-	-	-	-
No. of work-related disease cases	Department Store	-	-	1	-
	Mart	1	4	4	4
	Super	4	2	2	-
	E-Commerce	-	-	-	-
	Total	5	6	7	4
No. of deaths related to work-related diseases	Department Store	-	-	-	-
	Mart	-	-	-	-
	Super	-	-	-	-
	E-Commerce	-	-	-	-
	Total	-	-	-	-
Total working hours	Department Store	10,969,920	10,610,080	10,079,680	9,276,800
	Mart	29,749,824	28,054,368	26,659,584	25,246,008
	Super	14,335,728	11,963,556	9,807,996	8,688,504
	E-Commerce	1,246,560	1,638,104	1,544,152	1,987,776
	Total	56,302,032	52,266,108	48,091,412	45,199,088

## Shared Growth with Partners

Category	Business Division	2018	2019	2020	2021
Training (Job training for small-and-medium-sized partners)	Department Store	357	531	350	396
	Mart	477	310	51	116
	Super	-	-	-	-
	E-Commerce	-	-	-	49
Financial support (shared growth fund, fund operation)	Department Store	905	914	1,055	735
	Mart	217	256	426	421
	Super	105	146	103	105
	E-Commerce	-	-	-	1
Technical support (consulting for small-and-medium-sized partners)	Department Store	10	1	8	18
	Mart	3	16	25	19
	Super	-	-	-	-
	E-Commerce	-	-	-	-
Purchase/ sales cooperation	Department Store	14,024	13,955	7,570	6,322
	Mart	886	1336	766	532
	Super	687	480	257	325
	E-Commerce	-	-	-	114

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<b>Environmental compliance</b>	307-1	Non-compliance with environmental laws and regulations and non-monetary sanctions	4.6	Not applicable
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Category	GRI Standards	Description	ISO 26000	Page
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<b>Non-discrimination</b>	406-1	Incidents of discrimination and corrective actions taken	6.3.6, 6.3.7, 6.3.10, 6.4.3	50, 96
<b>Freedom of association and collective bargaining</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.3.3-6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6	46
<b>Child labor</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	6.3.3-6.3.5,	49
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Category	GRI Standards	Description	ISO 26000	Page
<b>Local communities</b>	413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9, 6.5.1-6.5.3, 6.8	78-79, 96
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# UN SDGs

Sustainable development goals (SDGs), the goals decided to be achieved by 2030 at the 70th UN General Assembly in 2015 are 17 shared goals of mankind to realize the philosophy of sustainable development. LOTTE Shopping has created social values by linking corporate strategies and activities with 12 SDGs to contribute to the achievement of SDGs.

SDGs	Activities
 <p><b>1 No poverty</b></p>	<ul style="list-style-type: none"> <li>• Provided donation to local community group for the recovery from damage caused by COVID-19.</li> <li>• Reduced rent for brands in stores which face difficulties due to COVID-19</li> </ul>
 <p><b>2 Zero hunger</b></p>	<ul style="list-style-type: none"> <li>• Food sharing campaign for happiness: donated fresh food (accumulated donation amount: KRW 5.63 billion)</li> </ul>
 <p><b>3 Good health and well-being</b></p>	<ul style="list-style-type: none"> <li>• Supported quarantine activities to prevent COVID-19, encouraged leave for vaccination, provided paid-leave for treatment of COVID-19</li> <li>• Renewed comprehensive medical check-up, expanded eligible employees and improved medical examination service</li> <li>• Operated in-house psychological counseling by visiting employees in need of help</li> </ul>
 <p><b>4 Quality education</b></p>	<ul style="list-style-type: none"> <li>• Organized rank and job specific training courses to strengthen competency of employees and provided various learning content</li> <li>• Conduct various activities and education with children at welfare facilities through 'CHARLOTTE' volunteer group</li> </ul>
 <p><b>5 Gender equality</b></p>	<ul style="list-style-type: none"> <li>• Obtained family-friendly and leisure-friendly company certification</li> <li>• Won presidential citation for equal employment for men and women (2015)</li> <li>• Provided mentoring to female talents</li> </ul>
 <p><b>6 Clean water and sanitation</b></p>	<ul style="list-style-type: none"> <li>• Installed water reuse facilities and rainwater storage to save and reuse water</li> <li>• Introduced water-saving toilet to reduce water use and prevented water pollution</li> </ul>

SDGs	Activities
 <p><b>7 Affordable and clean energy</b></p>	<ul style="list-style-type: none"> <li>• Installed photovoltaic power generation facilities utilizing rooftop and parking lot space in 87 business sites</li> </ul>
 <p><b>8 Decent work and economic growth</b></p>	<ul style="list-style-type: none"> <li>• Supported employment/ business startup coaching related to logistics to youth from underprivileged group.</li> <li>• Issued ESG bonds to provide shared growth fund and shorten payment cycle to stabilize the management of small-and-medium-sized partners</li> </ul>
 <p><b>9 Industry, innovation and infrastructure</b></p>	<ul style="list-style-type: none"> <li>• Introduced digital technology in stores to maximize customer service                             <ul style="list-style-type: none"> <li>– Digital picking cart, expansion of kiosk installation</li> </ul> </li> <li>• Operated Dream Plaza, overseas market pioneer group to support sales channel of partners</li> </ul>
 <p><b>10 Reduced inequalities</b></p>	<ul style="list-style-type: none"> <li>• Shared fair employment guideline and pledge</li> <li>• Human rights impact assessment and human rights management system certification</li> <li>• Conducted training on the improvement of awareness on people with disabilities</li> <li>• Recommend parental leave to male employees, leave for treating infertility, leave for caring elementary school children</li> </ul>
 <p><b>12 Responsible consumption and production</b></p>	<ul style="list-style-type: none"> <li>• Launched eco-friendly PB brands</li> <li>• Made recycled products and used eco-friendly packaging materials</li> <li>• Reused resources in collaboration with second-hand items distribution platform</li> </ul>
 <p><b>13 Climate action</b></p>	<ul style="list-style-type: none"> <li>• Promoted projects related to carbon emissions reduction</li> <li>• Established infrastructure to reduce greenhouse gas emissions (energy efficiency in business sites)</li> <li>• Operating 424 electric vehicle charging units</li> <li>• Expanded high-efficiency equipment to save energy</li> <li>• Reduced greenhouse gas emissions by 12.4% from 2018</li> </ul>



## Association Membership

Name of association	Description	Remarks
<b>Korea Academy of Business Ethics</b>	Academy that aims to contribute to the development of ethics management and national development by promoting academic research on ethics management and studying the ethical nature related to corporate management, practical application and its foundation	-
<b>Korea Personal Improvement Association</b> (Korea HR manager & person in charge of training)	An association dedicated to HR management established to support for and cooperation on the effective management, development, nurturing and utilization of human resources, which are the key to business management.	-
<b>Korea Department Stores Association</b>	Association established to establish fair trade order by exchanging information among members for the development of department stores industry and strengthening solidarity. 5 domestic companies are members of the association. * Members: LOTTE, SHINSEGAE, HYUNDAI, GALLERIA, AK	-
<b>Korea Packaging Recycling Cooperative (KPRC)</b>	KPRC is an organization that supports the research and technology development to promote resources recycling and recycle resources in an eco-friendly way and undertakes the obligations of recycling of manufacturers, importers and sellers of product and packaging materials.	-
<b>Fair Competition Federation</b>	Federation established in November 30, 1994 with the approval from the Minister of the Economic Planning Board to spread fair transaction culture, support capacity building for fair competition among companies and conduct activities for the implementation of fair trade systems for the public interest.	-
<b>UN Global Compact Network Korea</b>	It is an international CSR initiative run by the UN. It shares global BP cases and promote international cooperation.	-
<b>Korea Chainstores Association (KOCA)</b>	KOCA, distribution knowledge network. KOCA is a not-for-profit organization with the participation of retailers such as supermarket, hypermarket, H&B store, category killer shops as well as distribution partners such as manufacturers and equipment providers as members.	-

# Third Party Assurance

## Third-party Assurance on ESG data

Dear Readers of LOTTE Shopping's Sustainability Report 2021

### Introduction

Korea Management Registrar (KMR) was commissioned by LOTTE Shoppings to conduct an independent assurance of its Sustainability Report 2021 (the "Report"). The data and its presentation in the Report is the sole responsibility of the management of LOTTE Shopping. KMR's responsibility is to perform an assurance engagement as agreed upon in our agreement with LOTTE Shopping and issue an assurance statement.

### Scope and Standards

LOTTE Shopping described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR's assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.

Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process

- GRI Sustainability Reporting Standards
- Universal standards
- Topic specific standards
  - Management approach of Topic Specific Standards
  - GRI 305: Emissions
  - GRI 405: Diversity and Equal Opportunity
  - GRI 406: Non-discrimination

As for the reporting boundary, the engagement excludes the data and information of LOTTE Shopping's partners, suppliers and any third parties.

### KMR's Approach

To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:

- reviewed the overall Report;
- reviewed materiality assessment methodology and the assessment report;
- evaluated sustainability strategies, performance data management system, and processes;
- interviewed people in charge of preparing the Report;
- reviewed the reliability of the Report's performance data and conducted data sampling;
- assessed the reliability of information using independent external sources such as Financial Supervisory Service's DART and public databases.

### Limitations and Recommendations

KMR's assurance engagement is based on the assumption that the data and information provided by LOTTE Shopping to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.

### Conclusion and Opinion

Based on the document reviews and interviews, we had several discussions with LOTTE Shopping on the revision of the Report. We reviewed the Report's final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.

### Inclusivity

LOTTE Shopping has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.

### Materiality

LOTTE Shopping has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.

### Responsiveness

LOTTE Shopping prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of LOTTE Shopping's actions.

### Impact

LOTTE Shopping identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.

### Reliability of Specific Sustainability Performance Information

In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.

### Competence and Independence

KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with LOTTE Shoppings and did not provide any services to LOTTE Shopping that could compromise the independence of our work.



July 2022 Seoul, Korea

CEO *E. J. Hwang*

# LOTTE SHOPPING

2021 SUSTAINABILITY REPORT



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