

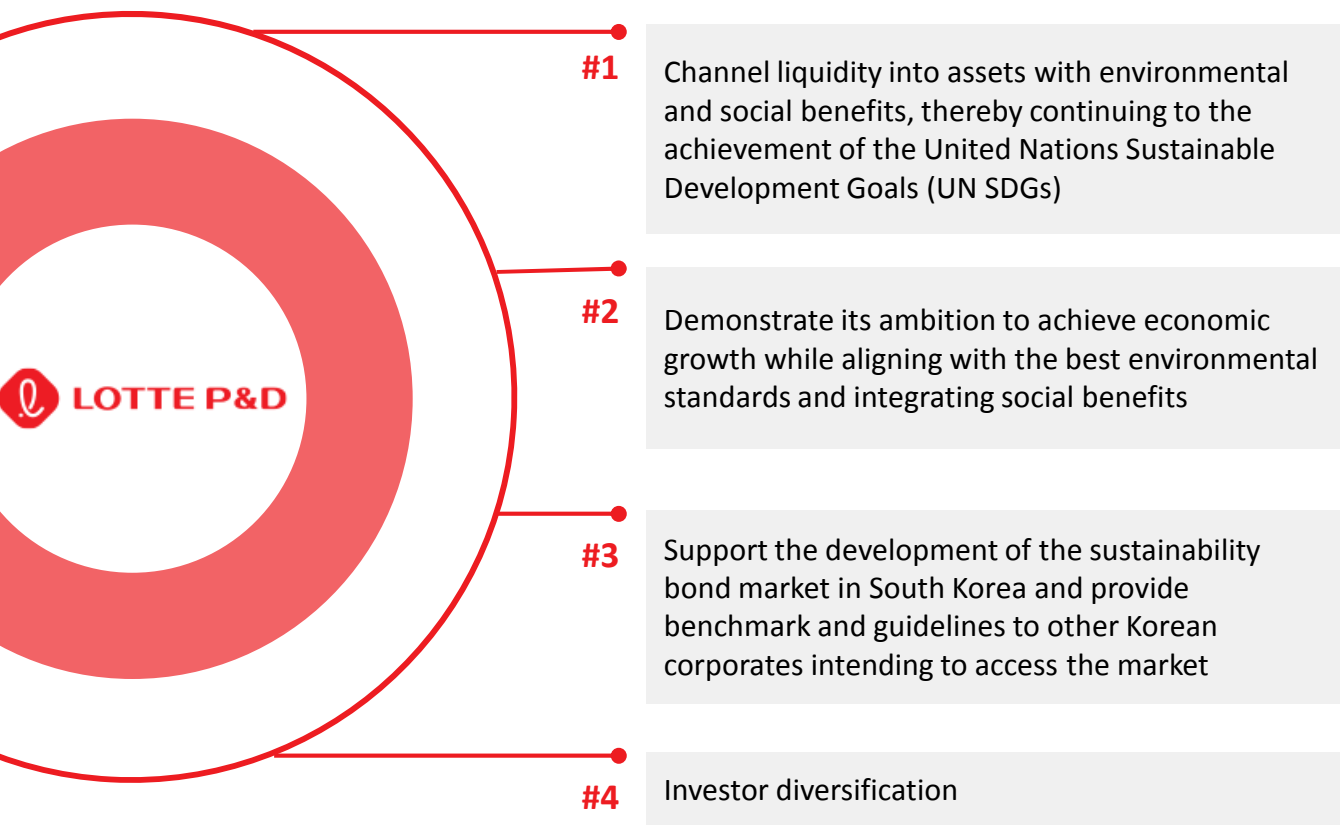


LOTTE PROPERTY & DEVELOPMENT

2019 Sustainability Newsletter

July 2019

Lotte P&D's Key Sustainability Objectives



Green Complex & Eco City

Lotte P&D has adopted eco-friendly designs and advanced technologies to better manage the resource consumptions of the buildings and greenhouse gas emissions



The Grand Award



G-SEED The Highest Grade

*30.6% of Lotte Tower Complex is consisted of green plants



Green Energy Ratio

*Use of renewable energy within Lotte Tower Complex reaches up to 18%

LEED Gold Certification

Lotte P&D obtained a LEED Gold Certification in 2017 for the Lotte World Tower



LEED Gold Certification

▶ SUSTAINABLE SITES	20 OF 26	
▶ WATER EFFICIENCY	10 OF 10	
▶ ENERGY & ATMOSPHERE	14 OF 35	
▶ MATERIAL & RESOURCES	6 OF 14	
▶ INDOOR ENVIRONMENTAL QUALITY	8 OF 23	
▶ INNOVATION	4 OF 6	
▶ REGIONAL PRIORITY CREDITS	4 OF 4	

Lotte World Tower : A Testimony of Our Sustainability Practices

Lotte World Tower and World Mall Sustainable Infrastructure

Energy Plan Optimisation



Greening of Rooftop

Insulation through greening of rooftop to reduce heating/cooling load and environmental pollution



High Insulation Glass (Low-E)

Reduction of heat loss in winter and blocking of heat in summer



Recycling of Heavy Water and Rain Water


Heavy water treatment facility (1,200t) to recycle wastewater and rain water storage tank (1,800t)



High Efficiency Equipment and Apparatus


Reduction of heat loss in winter and blocking of heat in summer

New & Renewable Energy




Solar Heat Collector

Collection of solar energy in rooftop to be used for heating and hot water




Wind Power Generation

Wind power generator installed in upper floors and around the complex to generate electricity



Geothermal Heating and Cooling

Heating and cooling system using underground heat



Collection of Waste Heat from Domestic Sewage

Waste heat from heavy water and rain water used for heating and hot water supply


Social Responsibility

5,000,000
People
(During Construction)


42,200
Permanent Employees

900
Job offerings
to low-income working group⁽¹⁾


Clean Transport Infrastructure



Underground Pedestrian Square



Underground Bicycle Stands



Underground Bus Transit Center

Developing clean public transportation infrastructure around the tower, Lotte P&D facilitated the use of clean public and sustainable mobility solutions.



Source: Company data

Note: (1) Low-income working group refers to individuals with a monthly income below the national average as determined by the Korean Ministry of Health and Welfare (MOHW)'s classification

Lotte P&D's Sustainability Bond Framework

Use of Proceeds and Project Evaluation

Lotte P&D has prepared this Sustainability Bond Framework in accordance with the ICMA Green Bond Principles and Sustainability Bond Guidelines 2018, and has elected to issue Sustainability Bonds with a particular focus on the following areas:

- Green buildings which meet regionally, nationally or internationally recognized standards of certifications while integrating social benefits
- Clean public transport infrastructure and sustainable mobility
- Contribute to the **United Nations Sustainable Development Goal #11** ("Sustainable Cities and Communities")

Use of Proceeds

Category 1: Green commercial buildings

Eligible Assets refer to commercial buildings which meet all of the following eligibility criteria:

- Achieved LEED "Gold" or equivalent certification within the last 5 years
- Construction or renovation has been completed in or after 2017
- Contribute to the improvement of professional conditions of low-income individuals working within the green building



Lotte World Tower

Category 2: Clean Public Transport Infrastructure and Sustainable Mobility

Eligible Projects will cover investments in infrastructure aiming to encourage and facilitate the use of clean public transportation and sustainable mobility solutions, in the vicinity of Lotte P&D commercial buildings, including, but not limited to:

- Pedestrian infrastructure
- Public bicycle infrastructure
- Public bus infrastructure



Underground Bicycle Station



Underground bus transport center



Jamsil Station Underground Pedestrian Passage

UN SDGs:

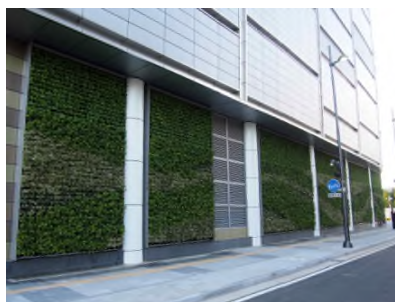


Lotte P&D's Sustainability Bond Framework (Cont'd)

Project Evaluation, Management of Proceeds, and Unallocated Proceeds

Project Evaluation

- Creation of a dedicated **Sustainability Bond Committee** to ensure compliance with the Framework and oversee the entire issuance process
- Committee composed of Lotte P&D's representatives from the Finance & Accounting Team, the Risk Management Group, the IT Group and Lotte Group's Corporate Social Responsibility Team



Management of Proceeds

- Best efforts commitment to **allocate all proceeds to Eligible Assets and Eligible Projects within one year of the Sustainability Bond issuance** in accordance with the evaluation and selection process presented above
- Monitoring of allocation to Eligible Assets and Eligible Projects and **tracking of net proceeds** through Lotte P&D's **internal accounting system**
- Pending the allocation to Eligible Assets and Eligible Projects, **unallocated proceeds may temporarily be invested in accordance with Lotte P&D's investment guidelines in cash, deposits and money market instruments**
- If the designated Assets or Projects are sold or cease to fulfil the Eligibility Criteria during the life of the issued Sustainability Bond, the net proceeds will be re-allocated as soon as reasonably practicable to replacement Assets or Projects that comply with the Eligibility Criteria

Reporting / Sustainability Newsletter

- Key performance indicators for Green Commercial buildings (Category 1) may include:
 - (i) Environmental benefits such as estimated ex-ante annual energy consumption, estimated annual GHG emissions reduced/avoided and % of the annual energy consumption self-produced by the Green Building
 - (ii) Social benefits such as number of low-income individuals who benefitted from an improvement of their salary
- Key performance indicators for Clean Public Transport Infrastructure and Sustainable Mobility (Category 2) may include
 - (i) Estimated capacity of the public bicycle infrastructure (in number of bicycles)
 - (ii) Estimated capacity of the public bus infrastructure (in number of buses)
 - (iii) Estimated capacity of the pedestrian infrastructure (in number of pedestrians)

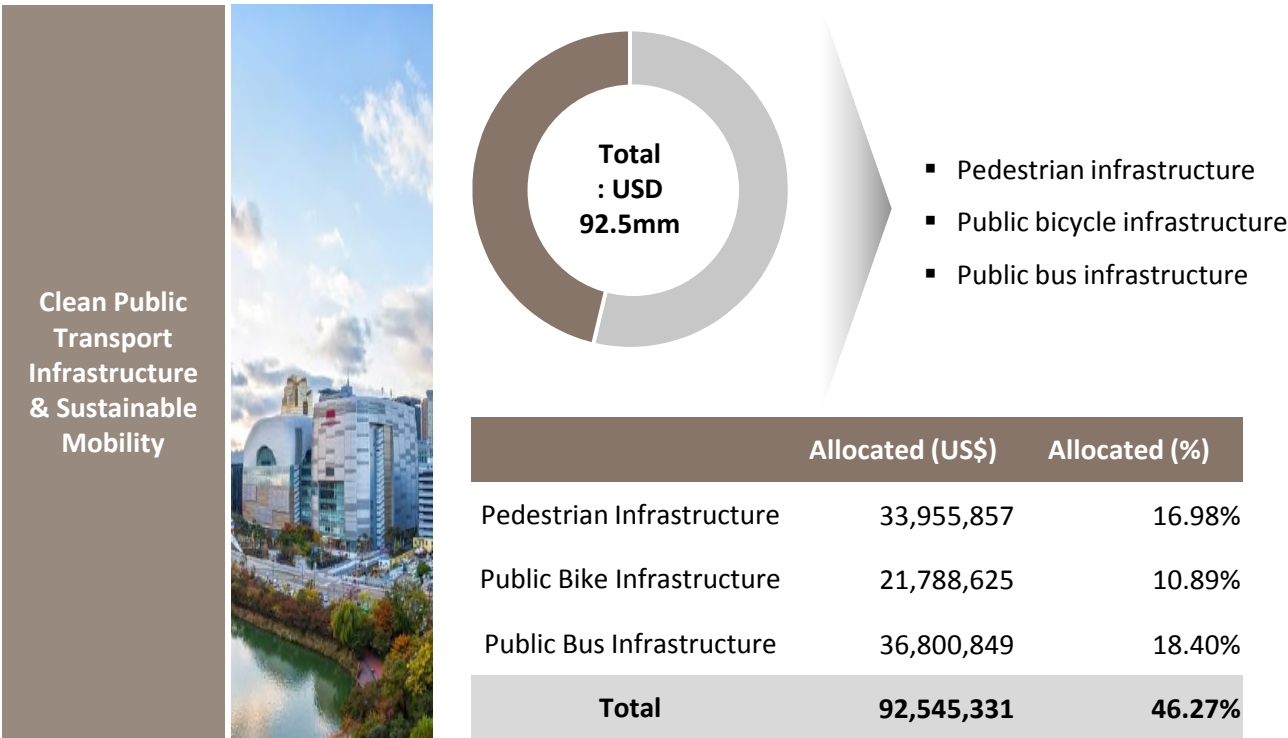
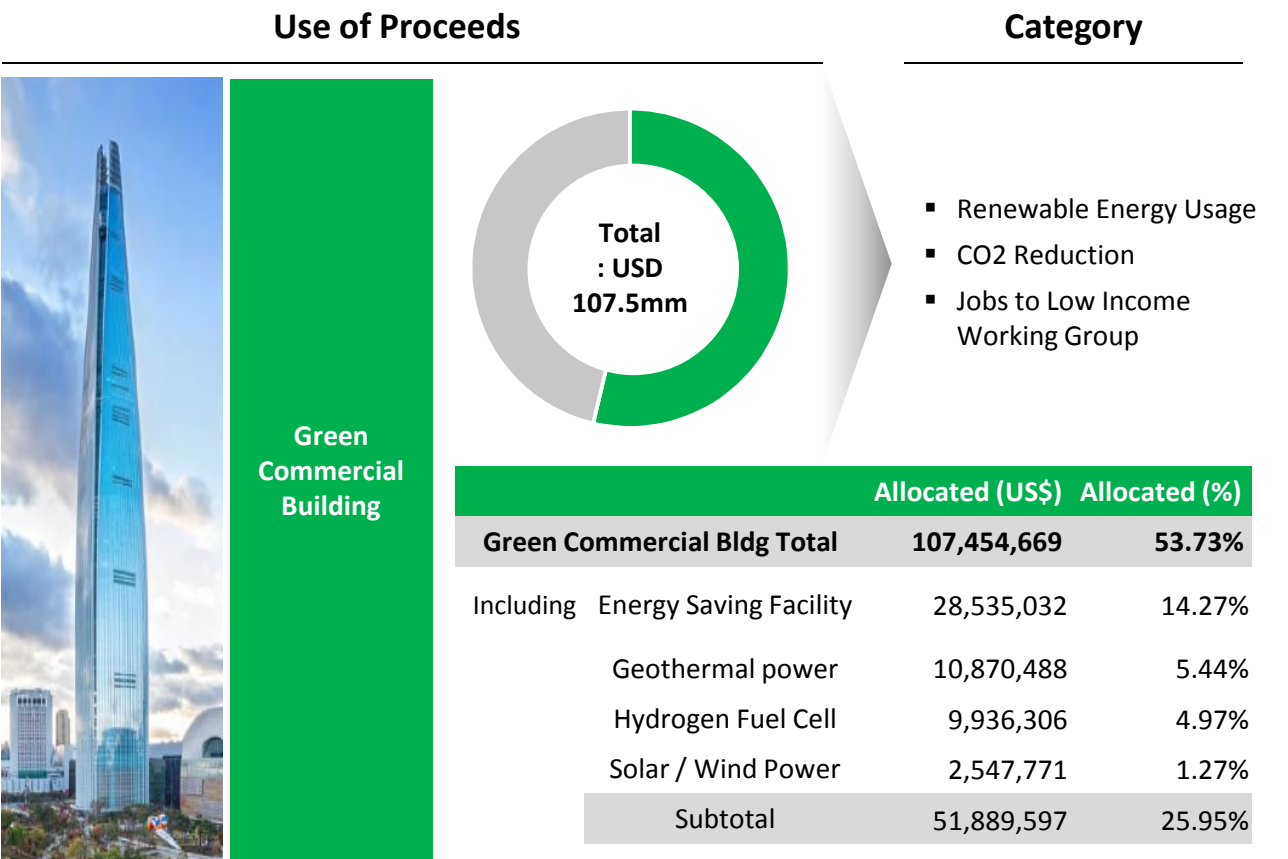
Lotte P&D's Sustainable Financing

USD200mm 3-year FRN Sustainability Bond

Issuance	July 2018 <u>Sustainability Bond (Senior)</u>
ISIN	<ul style="list-style-type: none"> XS1852560819
Maturity Date (Tenor)	<ul style="list-style-type: none"> 08/07/2021 (3yr)
Size	<ul style="list-style-type: none"> USD200mm
Type	<ul style="list-style-type: none"> Senior Unsecured guaranteed by Kookmin Bank (Aa3/A+/A)
Issue Rating	<ul style="list-style-type: none"> Aa3 (stable) by Moody's
Spread	<ul style="list-style-type: none"> 3m\$+92.5bps
Coupon	<ul style="list-style-type: none"> Floating rate
Distribution (by geography)	<ul style="list-style-type: none"> Asia 97% EMEA 3%
Distribution (by investor type)	<ul style="list-style-type: none"> FM/AM 56% Bank 34% Corps/PB/Others 10%
Remarks	<ul style="list-style-type: none"> First guaranteed Sustainability Bond out of Korea Inaugural debut offshore issuance by Lotte P&D First FRN floating notes in SRI format from a Korean corporate

Allocation Reporting

USD200mm 3-year FRN Sustainability Bond (July 2018)

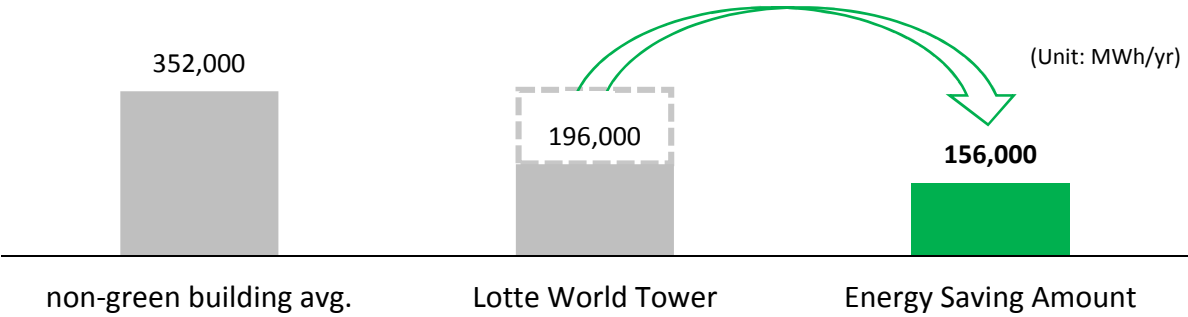


Impact Reporting

1) Green Commercial Building

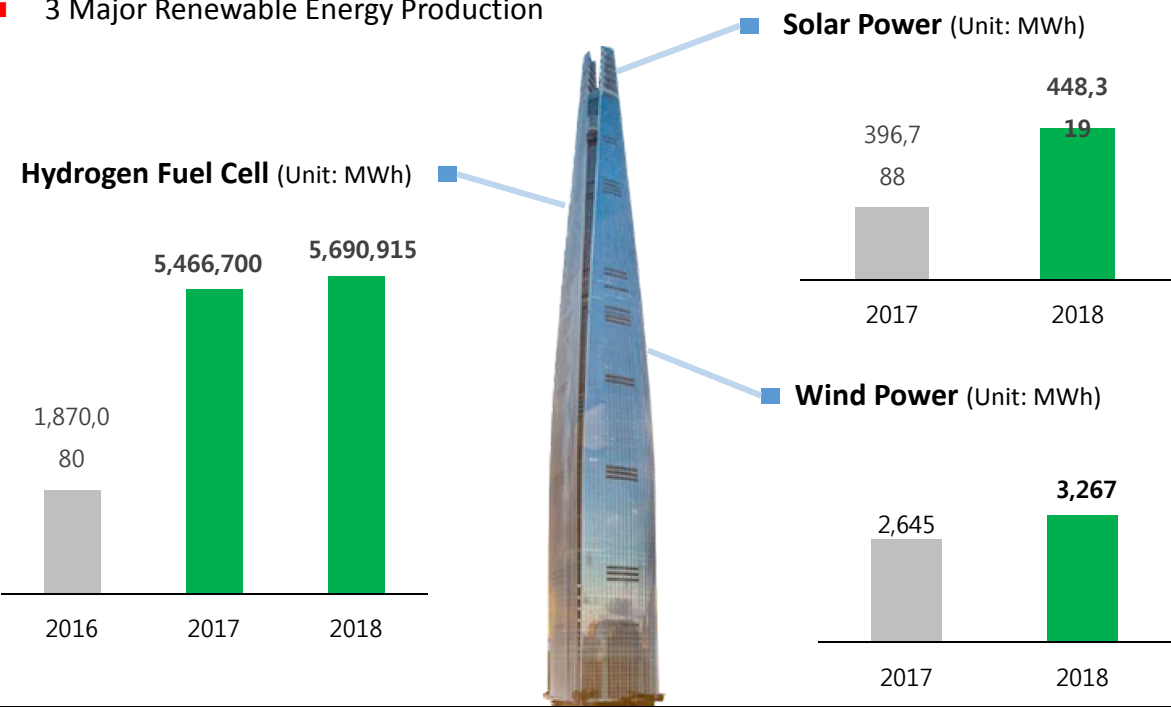
(i) Lotte World Tower's Energy-saving Architecture

- Lotte World Tower is built upon modern energy saving technologies like multi-glass curtainwall and outdoor air cooling system, resulting 156,000 MWh less energy consumption per year

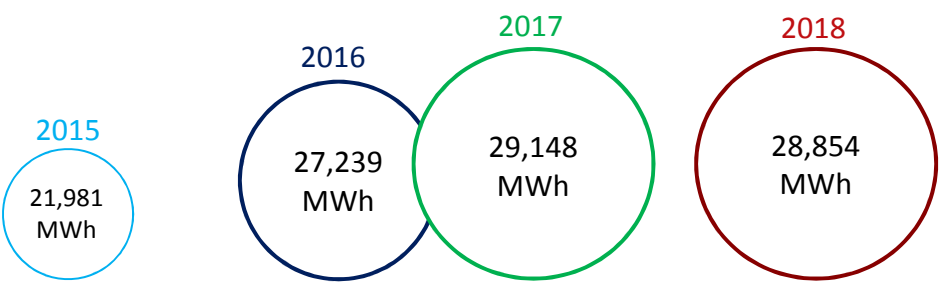


(ii) Renewable Energy Production

- 3 Major Renewable Energy Production



- Total Amt of Renewable Energy Production (Unit: MWh/yr)



Impact Reporting

(ii) CO2 Reduction



(iii) Social benefits



Contributed to the improvement of professional conditions of low-income individuals working within the green building

- **900** job offerings were created for low-income working group, those of who receive the legal minimum wage

2) Clean Public Transportation Infrastructure and Sustainable Mobility



Underground Bus Transit Center

- Underground bus transit center built for the purpose of reducing traffic congestion near the Lotte Tower Complex can accommodate up to **31** buses at once.



Underground Bicycle Stands

- In order to facilitate people's bicycle use, **1,072** underground bicycle stands were newly built and **900+** people use the facility on a daily basis.



Jamsil Station Underground Pedestrian Passage

- **175,000+** people use underground pedestrian passage every day to avoid traffic congestion around Jamsil station