

Second-Party Opinion

Lotte Property & Development Sustainability Bond

Evaluation Summary

Sustainalytics is of the opinion that the Lotte Property & Development Sustainability Bond Framework is credible and impactful, and aligns with the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds (green commercial buildings and clean public transport infrastructure and sustainable mobility) are aligned with those recognized by the Green Bond Principles as project categories with clear environmental benefits. In addition, the eligible green buildings provide improvement of professional conditions of low-income individuals working within the buildings, which is aligned with the Social Bond Principles and Sustainability Bond Guidelines which seek to achieve positive socio-economic outcomes for target populations.



PROJECT EVALUATION / SELECTION 'Eligible Assets' and 'Eligible Projects' are to be selected by a dedicated Sustainability Bond Committee (the 'Committee'), which is composed of Lotte P&D's representatives from the Finance & Accounting Team, the Risk Management Group, the IT Group and Lotte Group's CSR Team. The same Committee will also oversee the compliance of the Eligible Assets and Eligible Projects with Lotte P&D's environmental and social risk management guidelines. This process is aligned with market practices.



MANAGEMENT OF PROCEEDS The process for the management of proceeds is aligned with market practices, as Lotte P&D will monitor and track the allocation of the net proceeds through its internal accounting system. Pending full allocation, the unallocated proceeds may temporarily be invested in accordance with the company's investments guidelines in cash, deposits and money market instruments. This is in line with market practice.



REPORTING Lotte P&D commits to provide an annual allocation and impact report as part of the company's 'Sustainability Newsletter', with allocation reporting aligned with market practices including the amount of unallocated proceeds. With regards to the impact report, Lotte P&D will disclose, on a best efforts basis, environmental and social impact indicators such as energy consumption (KWh/m²), annual GHG emissions reduced/avoided (tons of CO₂e) and number of low-income individuals who benefitted from an improvement of their salary. Sustainalytics assesses that the impact indicators are in line with market practices.

Evaluation date	July 2018
Issuer Location	Seoul, South Korea

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Introduction

Lotte Property & Development (“Lotte P&D” or “the company”), part of the Lotte Group, is a property development company in Korea which engages in the building and operation of multi-purpose shopping malls, high-rise buildings, property and lease services and others. Lotte P&D was founded in 1982 and is based in Seoul, South Korea.

Lotte P&D has developed the Lotte Property & Development Sustainability Bond Framework (the “framework”) under which it plans to issue sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing and future projects that support (i) Green commercial buildings and (ii) Clean Public Transport Infrastructure and Sustainable Mobility with a subset of eligibility criteria for each category, as follows:

- Green commercial buildings that meet all of the following criteria:
 - Achieved LEED “Gold” or equivalent certification within the last five years
 - Construction or renovation has been completed in or after 2017
 - Contribute to the improvement of professional conditions of low-income individuals¹ working within the green building

- Clean Public Transport Infrastructure and sustainable mobility, including:
 - Pedestrian infrastructure
 - Public bicycle infrastructure
 - Public bus infrastructure

Lotte P&D engaged Sustainalytics to review the Lotte Property and Development Sustainability Bond Framework and provide a second-party opinion on the alignment of the sustainability bond² with the Green Bond Principles 2018 (the “GBP”), the Social Bond Principles 2018 and Sustainability Bond Guidelines 2018 (the “SBG”), as administered by the International Capital Market Association (the “ICMA”).³ This framework has been published in a separate document.⁴

As part of this engagement, Sustainalytics held conversations with various members of Lotte P&D’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Lotte P&D’s sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Lotte Property and Development Sustainability Bond Framework and should be read in conjunction with that framework.

¹ Low-income individuals refer to individuals with a monthly income below the national average as determined by the Korean Ministry of Health and Welfare (MOHW) and Ministry of Education (MOE)’s classification:

http://www.mohw.go.kr/react/al/sal0301vw.jsp?PAR_MENU_ID=04&MENU_ID=0403&CONT_SEQ=340848

² Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles, with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

³ ICMA’s Green, Social and Sustainability Bond Principles available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

⁴ <https://www.lwt.co.kr/lottepnd/main.do>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Lotte Property & Development Sustainability Bond Framework

Summary

Sustainalytics is of the opinion that the Lotte Property & Development Sustainability Bond Framework is credible and impactful, and that it aligns with the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines. Sustainalytics highlights the following elements of Lotte P&D's sustainability bond framework:

Use of Proceeds:

- The use of proceeds categories of the Lotte P&D Sustainability Bond Framework are recognized as environmentally and socially impactful by the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. Sustainalytics considers that Lotte P&D's investments will help increase the resource efficiency of the company's stock of buildings, while providing socioeconomic advancement for low-income individuals working in the green buildings. Similarly, Sustainalytics views Lotte P&D's investments in clean public transport infrastructure as contributing to a reduction in road congestion and transport associated with GHG emissions, thereby contributing to South Korea's efforts to meet its Paris Climate Agreement commitments.
- Lotte P&D's green commercial building eligibility criterion is based on the third-party certification LEED Gold or equivalent regional or international standards. Sustainalytics highlights that Lotte P&D's proposed wording for its green commercial buildings' criterion one (achieved LEED "Gold" or equivalent certification within the last five years) aligns with the Climate Bonds Green Property Standards.⁵ Sustainalytics has conducted an evaluation of this certification and views green building investments as rendering meaningful environmental benefits. For additional information on impact, please see Section 3.

Project Selection Process:

- A dedicated Sustainability Bond Committee will manage and oversee the project and asset selection process. The Committee is composed of representatives from Lotte P&D's Finance & Accounting Team, Risk Management Group, IT Group and CSR Team. The company confirmed that the same Committee will also oversee the compliance of the Eligible Assets and Eligible Projects with Lotte P&D's environmental and social risk management guidelines. Sustainalytics assesses this process as being in line with current market practices.

Management of Proceeds

- The process for the management of proceeds is aligned with market practices, as Lotte P&D will monitor and track the allocation of the net proceeds through its internal accounting system. Lotte P&D commits to allocate the net proceeds on a best effort basis and within one year of the issuance. Pending full allocation, the unallocated proceeds may temporarily be invested in accordance with the company's investment guidelines in cash, deposits and money market instruments.

Reporting

- Lotte P&D commits to issue an annual Sustainability Newsletter which will incorporate the company's allocation and impact report. The allocation report will comprise (i) a list of Eligible Assets and Eligible Projects refinanced or financed, (ii) the amount allocated to Eligible Assets and Eligible Projects and (iii) the unallocated proceeds at the reporting end-period. With regards to the impact report, Lotte P&D will disclose on a best effort basis a comprehensive set of environmental and social impact indicators such as (i) the estimated ex-ante annual energy consumption in kWh/m², (ii) the estimated annual GHG emissions reduced/avoided in tons of CO₂e, (iii) the percentage of the annual energy consumption self-produced by the green building, (iv) the number of low-income individuals who benefited from an improvement of their salary, (v) the estimated capacity of the public bicycle

⁵ Climate Bond Green Property Standards criterion states that "for commercial buildings located in cities where an emissions baseline cannot be established at the city level (...) buildings qualify under the Climate Bond Standard if they have achieved LEED gold or platinum certification or equivalent under other building standards such as BREEAM or Green Star, within the last five years." Document available at: https://www.climatebonds.net/files/page/files/overview_of_the_green_property_standards_0.pdf

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infrastructure (in number of bicycles) , (vi) the estimated capacity of the public bus infrastructure (in number of buses) and (vii) the estimated capacity of the pedestrian infrastructure (in number of pedestrians). The Sustainability Newsletter will be disclosed on Lotte P&D's website.⁶ Sustainalytics highlights Lotte P&D's commitment to provide transparent and relevant allocation and impact metrics and evaluates the scope and granularity of the company's reporting to be in line with market practices.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Lotte P&D Sustainability Bond Framework aligns to the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. For detailed information please refer to Appendix 2: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer's sustainability strategy and track record

As a subsidiary of the Lotte Group, Lotte P&D confirmed that it follows all sustainability strategies outlined by the parent-company.⁷ In this sense, Sustainalytics highlights the group's commitment to disseminate sustainability across all subsidiaries, and contribute to the preservation of the environment and conservation of natural resources⁸ through all its companies, including Lotte P&D. Sustainalytics encourages Lotte P&D to conceive its own corporate sustainability strategy with timebound and quantifiable environmental and social targets so as to better track and improve its sustainability performance.

Lotte P&D embeds sustainability aspects into its operations and activities, including the adoption of eco-friendly designs and technologies to better manage the resource consumption of its buildings as well as their related greenhouse gas emissions. Lotte P&D also confirmed having started to acquire renewable energy for its buildings and implemented high-efficiency energy saving equipment. Sustainalytics encourages Lotte P&D to disclose the share of renewable energy used by its buildings, as well as their subsequent energy efficiency increase, and add quantifiable targets to track and improve its renewable energy utilization rate. In this regard, Lotte P&D confirmed that Lotte World Tower,⁹ currently the fifth tallest building in the world, has obtained LEED Gold certification in April 2017. The Lotte World Tower and Mall are equipped with innovative technologies such as: green rooftops to create thermal insulation, insulated glass to reduce thermal transfer or solar panels water treatment facilities to recycle waste water and store rainwater, rooftop wind power facilities, geothermal cooling and heating system and a waste heat recycling system. In this sense, Sustainalytics highlights the building's score of 20 out of 26 for the Sustainable Sites criteria, the most comprehensive subset of LEED's standard.

Sustainalytics holds a positive view over Lotte P&D's focus on the top levels of certification and encourages the company to strive to obtain top-level green building certifications for its entire stock of buildings. Based on the above, Sustainalytics is confident that the company is well positioned to issue sustainability bonds and considers that the issuances align with Lotte Group's sustainability strategy, as well as Lotte P&D's sustainability performance.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from Lotte P&D will be directed towards environmentally and socially impactful Eligible Projects and Eligible Assets. However, Sustainalytics is aware that the eligible project categories may expose Lotte P&D to unintended environmental or social risks such as: air and water pollution, unintended air and water discharges, waste management risks, workers health and safety or community opposition risks. Lotte P&D follows all South Korean environmental and social regulations and

⁶ Sustainability Newsletter to be made available here: <https://www.lwt.co.kr/lottepnd/main.do>.

⁷ Lotte Group CSR Center: <http://www.lotte.co.kr/global/en/cscenter/inquiry.do>

⁸ Lotte Group CSR Center: <http://www.lotte.co.kr/global/en/cscenter/inquiry.do>

⁹ More information on the project available at: <https://www.lwt.co.kr/tower/en/main/main.do>

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complies with all national policies and guidelines in order to mitigate environmental and social risks commonly associated with real-estate development and infrastructure projects.

In addition to regulatory compliance, the company confirmed that its Sustainability Bond Committee will leverage the expertise of Lotte P&D's Risk Management Group as well as Lotte Group's CSR Team to ensure that the selected projects and assets follow all environmental and social risk management procedures. Similarly, Lotte P&D confirmed that this Committee will also operate a Safety and Environmental Management Subcommittee to formulate and implement company-wide safety and environmental strategies, in line with the company's KOSHA 18001, OHSAS 18001 and ISO 14001 certifications.¹⁰ To further complement its environmental and safety risk strategy, Lotte P&D implemented a Risk Evaluation System to evaluate and mitigate high-risks tasks. The company confirmed that its Risk Evaluation System was used to segment the management standards for each risk, the system being based on quantitative evaluation methods calculating the frequency and intensity of a particular occurrence.

Sustainalytics has a positive view of Lotte P&D's environmental and social risk mitigation processes due to (i) the company's certification under the KOSHA 18001, OHSAS 18001 and ISO 14001 standards, (ii) its Risk Evaluation System as well as (iii) the environmental and social mandate and rigorous involvement of the company's Sustainability Bond Committee in cooperation with Lotte Group's CSR Team. Overall, Sustainalytics considers that Lotte P&D is well positioned to identify, manage and mitigate environmental and social risks commonly associated with real estate development and infrastructure projects.

Section 3: Impact of Use of Proceeds

Contribution of green buildings development towards South Korea's climate commitments

According to the South Korean government's newly released "Plan for Electricity Supply and Demand",¹¹ the country pledged to expand the share of renewable energy production to 20% by 2030. Separately, in 2016, South Korea had submitted its Nationally Determined Contribution (NDC) as part of its Paris Climate Agreement commitments, seeking to reduce its GHG emissions by 37% below business-as-usual emissions (850.6 MtCO₂eq) by 2030, or by 18% below its 2010 level.¹² Sustainalytics is of the opinion that Lotte P&D's green building technologies, including both in-house renewable energy generation capacities and high-energy saving equipment, confirmed by the company's top-level green building certifications, will play a contributing role to South Korea's climate commitments. Energy use in buildings is one of the major drivers for the 16.7% of the country's GHG emissions from the residential and commercial sector.¹³ Sustainalytics also highlights that the company's strategic direction to develop top-level green building certified commercial real-estate is in line with South Korea's government target to reduce buildings' greenhouse gas emissions by 26.9% by 2020.¹⁴

The social impact for underprivileged target groups employed in green building developments by Lotte P&D

Lotte P&D confirmed that, through its financing or refinancing of Eligible Assets and Eligible Projects, the company will support the socioeconomic advancement of low-income individuals working in the green buildings through improvements in salary. Low-income individuals are defined as individuals with a monthly income below the national average as determined by the Korean Ministry of Health and Welfare (MOHW)'s classification. Sustainalytics views Lotte P&D's definition of the target population as credible. In addition, given Lotte P&D's intended reporting on the number of low-income individuals who benefitted from an improvement of their salary, Sustainalytics considers that these investments to be able to contribute to reduce social disparities and disadvantages.

¹⁰ KOSHA 18001 is a Korean Occupational Safety and Health Management standard and certification, while OHSAS 18001 is an internationally recognized standard and certification in the same field; ISO 14001 is a widely recognized environmental management system that an organization can use to enhance its environmental performance. Lotte P&D confirmed that its operations are certified under all three standards.

¹¹ South Korea's 8th Basic Plan for Electricity Supply and Demand available at:

http://english.motie.go.kr/en/tp/energy/bbs/bbsView.do?bbs_seq_n=605&bbs_cd_n=2&view_type_v=TOPIC&¤tPage=1&search_key_n=&search_v_al_v=&cate_n=3

¹² South Korea's NDC commitments available here: <https://climateactiontracker.org/countries/south-korea/> Please note that these numbers exclude land use, land use change and forestry (LULUCF) emissions.

¹³ Share of energy use per industry in South Korea: https://www.researchgate.net/figure/Koreas-greenhouse-gas-emission-volumes-by-sector-and-its-industry-weightings_fig1_324237943

¹⁴ South Korea's Greenhouse Gas Reduction Road Map available at: <http://www.mdpi.com/1996-1073/10/7/1027/pdf>

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Contribution of clean public transportation infrastructure to climate commitments and social inclusion

Sustainalytics views positively Lotte P&D's investments in public transportation and considers that pedestrian infrastructure, public bicycle infrastructure and public bus infrastructure near its commercial buildings will contribute to reduced road congestion and help South Korea to achieve its Paris Climate Agreement commitments. Separately, Sustainalytics highlights that the financing of mass public transportation entails substantial social benefits such as social inclusion or enhanced access to more diversified or quality jobs. In this regard, Sustainalytics notes that Lotte P&D's investments may have a two-fold positive impact, also supporting more vulnerable communities lacking access to mobility services.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Commercial Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters.
	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services.
Clean Public Transport Infrastructure and sustainable mobility	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Conclusion

Lotte P&D has developed a Sustainability Bond Framework under which it intends to issue sustainability bonds and use the proceeds to finance or refinance Eligible Assets and Eligible Projects related to (i) green commercial buildings and (ii) clean public transport infrastructure.

Sustainalytics considers that the funding of green commercial buildings related Eligible Assets and Eligible Projects will contribute to decreasing the buildings' greenhouse gas emissions, contributing to South Korea's Paris Climate Agreement commitments. Similarly, Sustainalytics highlights that the funding of these buildings will help to reduce social disparities through the socioeconomic advancement of low-income individuals working in the green buildings. Separately, Sustainalytics notes that Lotte P&D's funding of clean public transport infrastructure will provide a meaningful two-fold positive impact, reducing road congestion and lowering GHG emissions, but also supporting vulnerable communities lacking access to mobility services.

Based on the above, Sustainalytics considers that Lotte P&D is well positioned to issue a Sustainability Bond and that the Lotte P&D Sustainability Bond Framework is transparent, credible and in alignment with the four components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018.

Appendices

Appendix 1: Overview of the Real Estate Certification Scheme LEED

	LEED
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	Certified Silver Gold Platinum
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Sustainable Sites • Water Efficiency • Energy and Atmosphere • Materials and Resources • Indoor Environmental Quality • Innovation and Design • Regional Priority Credits
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>
Performance display	

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Lotte Property & Development
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Lotte Property & Development Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	July 2018

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Executive Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The use of proceeds categories of the Lotte P&D Sustainability Bond Framework are recognized as environmentally and socially impactful by the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. Sustainalytics considers that Lotte P&D's investments will help increase the resource efficiency of the company's stock of buildings, while providing socioeconomic advancement for low-income individuals working in the green buildings. Similarly, Sustainalytics views Lotte P&D's investments in clean public transport infrastructure as contributing to a reduction in road congestion and transport associated with GHG emissions, thereby contributing to support South Korea's efforts to meet its Paris Climate Agreement commitments.

Lotte P&D's green commercial building eligibility criterion is based on the third-party certification LEED Gold or equivalent regional or international standards. Sustainalytics highlights that Lotte P&D's proposed wording for its green commercial buildings' criterion one (achieved LEED "Gold" or equivalent certification within the last five years) aligns with the Climate Bonds Green Property Standards. Sustainalytics has conducted an evaluation of this certification and views green building investments as rendering meaningful environmental benefits.

Use of proceeds categories as per GBP:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|----------------------------------------------------------|-------------------------------------------------------|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
|----------------------------------------------------------|-------------------------------------------------------|

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- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

A dedicated Sustainability Bond Committee will manage and oversee the project and asset selection process. The Committee is composed of representatives from Lotte P&D's Finance & Accounting Team, Risk Management Group, IT Group and CSR Team. The company confirmed that the same Committee will also oversee the compliance of the Eligible Assets and Eligible Projects with Lotte P&D's environmental and social risk management guidelines. Sustainalytics assesses this process as being in line with current market practices.

Evaluation and selection

- | | |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The process for the management of proceeds is aligned with market practices, as Lotte P&D will monitor and track the allocation of the net proceeds through its internal accounting system. Lotte P&D commits to allocate the net proceeds on a best effort basis and within one year of the issuance. Pending full allocation, the unallocated proceeds may temporarily be invested in accordance with the company's investment guidelines in cash, deposits and money market instruments.

Tracking of proceeds:

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- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- | | |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

Lotte P&D commits to issue an annual Sustainability Newsletter which will incorporate the company's allocation and impact report. The allocation report will comprise (i) a list of Eligible Assets and Eligible Projects refinanced or financed, (ii) the amount allocated to Eligible Assets and Eligible Projects and (iii) the unallocated proceeds at the reporting end-period. With regards to the impact report, Lotte P&D will disclose on a best effort basis a comprehensive set of environmental and social impact indicators such as (i) the estimated ex-ante annual energy consumption in KWh/m², (ii) the estimated annual GHG emissions reduced/avoided in tons of CO₂e, (iii) the percentage of the annual energy consumption self-produced by the green building, (iv) the number of low-income individuals who benefited from an improvement of their salary, (v) the estimated capacity of the public bicycle infrastructure (in number of bicycles), (vi) estimated public bus infrastructure capacity (in number of buses) and (vii) the estimated capacity of the pedestrian infrastructure (in number of pedestrians). The Sustainability Newsletter will be disclosed on Lotte P&D's website. Sustainalytics highlights Lotte P&D's commitment to provide transparent and relevant allocation and impact metrics and evaluates the scope and granularity of the company's reporting to be in line with market practices.

Use of proceeds reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

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- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators (please specify): % of energy used produced by buildings; Estimated capacity of bike stations; Bus infrastructure estimated capacity; Estimated capacity of the pedestrian infrastructures

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

<https://www.lotte.co.kr/global/en/business/compDetail.do?compCd=L407>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating

Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
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