

LOTTE CARD

SUSTAINABLE FINANCING FRAMEWORK

Lotte Card Co., Ltd.

April 2021

1. About Lotte Card

Lotte Card was founded in 2003 as a merger between Lotte Shopping's credit card division and Dongyang Card, which was acquired by Lotte Group in 2002. In October 2019, Lotte Group sold off its 79.8% share of Lotte Card to Korea Retail Card Holdings and Woori Bank. As of the end of 2020, Korea Retail Card Holdings owns 59.8% of Lotte Card, while Woori Bank and Lotte Shopping owns 20% of the company respectively.

Lotte Card's main lines of business includes credit card and instalment financing. Lotte Card benefits from having the largest distribution and service network in Korea, covering the entire infrastructure of the Lotte Group such as department stores, supermarkets, home shopping, cinemas, theatres and coffee shops. Moreover, Lotte Card provides best-in-class customer benefits in terms of discounts and point savings, tailored to customer's needs. Specifically, through exclusive partnerships, Lotte Card offers specialized credit card solutions appropriate for various customer types, and Lotte Card points can be used as cash equivalents in any Lotte stores nationwide.

As one of the largest credit card companies in Korea, Lotte Card is leveraging on its leading personal finance network and infrastructure to develop lifestyle financial services that maximize customer value. The following values are at the core of Lotte Card's business: 1) Strategic Thinking, for optimizing its competitive advantage and responding flexibly in the pursuit of sustainable growth; 2) Creativity, to be the market leader in creative ideas, products, services, and solutions; 3) Challenging Spirit, for the passion and ambition of continued development to become the best credit card company; 4) Trust and Cooperation, establishing trust and synergistic modes of cooperation with customers, peers, partners and other entities of the group; and 5) Action Oriented, boldly and actively striving to achieve its goals and objectives.

2. Sustainability at Lotte Card

Lotte Card aims to achieve shared growth and create shared value with its customers and the broader society. To this end, the integration of environmental, social, and governance factors into its business is a key strategy for the company.

- Lotte Card is committed to support micro and small enterprises under its customer base. In 2019, the Financial Supervisory Service implemented an initiative to support and enhance the competitiveness of self-owned businesses and small and medium-sized enterprises. Accordingly, Lotte Card has been actively supporting the movement by providing credit card payment benefits and financial support service to such enterprises.
- Lotte Card provides special financial support for customers impacted by disasters or socioeconomic crises through a swift provision of financial services. Moreover, Lotte Card operates a points donation program for customers in need, whereby Lotte Card additionally matches an amount equivalent to the total points donated.
- To improve accessibility to financial services, Lotte Card provides sign language service at customer care centres and braille card issuance service for the disabled.
- In terms of corporate governance, the company has achieved ISO 19600 Compliance Management Systems since 2016, and ISO 37001 Anti-Bribery Management System since 2017. These certifications reflect Lotte Card's efforts to strictly maintain to a self-regulatory program for compliance and fair trade.

Through Love Factory, Lotte Card's corporate social responsibility brand, the company is committed to create a positive impact in the broader society and commits to: 1) Strive to build a healthy society and share its growth with the local community; 2) Create value through sharing and voluntary work; and 3) Care for vulnerable social group, and strive to safeguard the environment and culture.

- Lotte Card supports and sponsors cultural and sports events for vulnerable social groups, such as “Culture Sharing Program” which invites teenagers to cultural performances, sponsoring a golf team composed of people with disabilities, and holding the Lotte Card annual golf tournament for female amateur golfers.
- Through employee volunteering in partnership with the Financial Supervisory Service, Lotte Card staff provide financial literacy education to teenagers. Lotte Card also donates computers to disabled people and alienated groups to support education and information accessibility.
- To build a sharing culture internally within the company, Lotte Card established the “Sharing Salary” campaign in partnership with humanitarian organisation Good Neighbors where employees can participate in sponsoring a child’s financial needs during their development. A team can share the sponsorship together.

3. Rationale for Sustainable Financing

Through the issuance of green, social, or sustainability debt instruments, Lotte Card aims to directly and effectively finance projects aimed to generate positive environmental and social impacts within the company’s operations and in the broader society through the company’s businesses.

The issuance of green, social, or sustainability debt instruments, supports the achievement of the United Nations (“UN”) Sustainable Development Goals (“SDG”), indicated below.

4. Sustainable Financing Framework

The Sustainable Financing Framework (“framework”) sets out the governance and processes under which Lotte Card intends to issue green, social or sustainability bonds, loans, asset-backed securities or any other debt-like instruments.

The proceeds of green financing will be used exclusively for eligible green projects. The proceeds of social financing will be used exclusively for eligible social projects. The proceeds of sustainability financing will be used for both eligible green and social projects.

Sustainable financing transactions may be done in any currency or tenor and with other terms and conditions including covenants, to reflect the financing strategy and plan of Lotte Card as well as the outcome of the commercial discussions between the Issuer, Borrower and Manager, Arranger, Lender.






The framework aligns with International Capital Markets Association (“ICMA”) Green Bond Principles (2018), Social Bond Principles (2020), Sustainability Bond Guidelines (2018), Loan Market Association (“LMA”), Loan Syndications and Trading Association (“LSTA”) and Asia Pacific Loan Market Association (“APLMA”) Green Loan Principles (2021), and adopts the following key pillars:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

4.1 Use of Proceeds

The net proceeds raised under this framework will be solely used to finance or refinance in whole or in part, investments and expenditure on projects that are consistent with Lotte Card's policies and that meet the eligibility criteria set out below.

4.1.1 Green Categories

Category	Criteria	UN SDGs
Green Buildings	<p>Expenditures related to acquisition, new constructions and/or renovation of buildings that have received or are expected to receive:</p> <ul style="list-style-type: none"> • G-SEED Very Good (Green 2nd) or above • Korea Energy Agency Building Energy Efficiency Certification Level 1++ or above • LEED Gold or above, or • Any other equivalent internationally and/or nationally recognized certifications. 	 <p>11. Sustainable Cities and Communities</p>
Energy Efficiency	<p>Expenditures related to the acquisition, development and leasing ¹ of energy efficient equipment, appliances or infrastructure in data centres² and offices, which improve energy efficiency by at least 15%.</p> <p>Expenditures related to the improvement of existing equipment, appliances or infrastructure in data centres and offices which improve energy efficiency by at least 15%.</p> <p>Expenditures related to the acquisition, development and operation of energy management and storage systems³ for improved energy monitoring, management and optimization.</p>	 <p>7. Affordable and Clean Energy</p>  <p>9. Industry, Innovation and Infrastructure</p>
Renewable Energy	<p>Expenditures related to the development, construction, maintenance of facilities or systems that generate or transmit renewable energy with direct emissions of less than 100g CO₂e/kWh, such as solar⁴, wind, ocean⁵, and hydro⁶.</p> <p>Expenditures related to the acquisition of renewable energy through project-linked power purchase agreements that are 5 years or longer, or renewable energy certificates⁷.</p>	 <p>7. Affordable and Clean Energy</p>
Clean Transportation	<p>Expenditures related to the acquisition and maintenance of clean vehicles in the company fleet, such as electric or hydrogen-powered vehicles.</p> <p>Expenditures related to the construction, installation, and maintenance of electric vehicle charging stations or hydrogen-powered vehicle refuelling stations.</p>	 <p>11. Sustainable Cities and Communities</p>

¹ The leasing timeframe of eligible equipment, appliances, or infrastructure are to be at least the tenor of the debt instrument.

² Data centres are limited to those that achieve Power Usage Effectiveness of less than 1.5.





³ Storage systems are limited to battery storage and water electrolysis power-to-hydrogen storage.

⁴ Concentrated solar power are excluded.




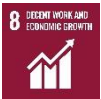

⁵ Marine renewables directly used for heating or cooling are excluded.

⁶ Hydropower projects are limited to small-scale projects less than 25 MW, or run-of-river projects with low storage capacity, or projects with power density greater than 5 W/m².

⁷ Unbundled renewable energy certificates that cannot be tracked to specific and identifiable renewable energy projects are excluded.

	Expenditures related to the development of infrastructure that support cycling and walkability.	
Sustainable Water and Wastewater Management	<p>Expenditures related to the acquisition and development of equipment and appliances that improve water efficiency in data centres and offices.</p> <p>Expenditures related to the improvement and maintenance of existing equipment and appliances in data centres and offices that improve water efficiency.</p> <p>Expenditures related to the construction and maintenance of urban drainage systems for flooding mitigation.</p>	 <p>6. Clean Water and Sanitation</p>  <p>11. Sustainable Cities and Communities</p>
Pollution Prevention and Control	Expenditures related to the acquisition, development, and deployment of dust control equipment to align with green building air quality standards.	 <p>3. Good Health and Well-being</p>  <p>12. Responsible Consumption and Production</p>

4.1.2 Social Categories

Category	Criteria	UN SDGs
Access to Essential Services	<p>Expenditures related to financing provided to customers from low-income populations⁸ and populations affected by socioeconomic crises or natural disasters.</p> <p>Expenditures related to the construction, development, maintenance of facilities and infrastructure to improve the accessibility of elderly and special need groups to financial services.</p>	 <p>1. No Poverty</p>  <p>3. Good Health and Well-being</p>  <p>4. Quality Education</p>
Employment Generation	<p>Expenditures related to financing provided to small and medium-sized enterprises⁹ which are:</p> <ul style="list-style-type: none"> Affected by socioeconomic crises or natural disasters Led by women or individuals with disabilities or impairments In regions with above national average unemployment rate, or In regions with below national average income levels. <p>Business activities that directly create and/or preserve employment opportunities for:</p>	 <p>8. Decent Work and Economic Growth</p>  <p>10. Reduced Inequalities</p>

⁸ Low-income populations are defined as those with annual income of KRW 35 million or below, or those with annual income of KRW 45 million and with credit rating of 6 or below. This is consistent with the criteria set by the Korea Inclusive Finance Agency.

⁹ Small and medium-sized enterprises are defined as those with annual revenue below KRW 3 billion.

	<ul style="list-style-type: none"> • Low-income populations • Unemployed populations, or • Populations with disabilities or impairments. 	
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4.1.3 Exclusion Criteria

All debt instruments issued under this Sustainable Financing Framework will also exclude activities, assets, products, products or technologies related to child labour, adult entertainment, weapons, alcohol, tobacco, as well as those directly related to fossil fuels.

4.2 Process for Project Evaluation and Selection

The Treasury Team is responsible for the management of this framework and the compliance of all financing instruments issued under the framework.

For new issuances, the Treasury Team will identify projects and assess their eligibility based on alignment with Lotte Card's policies and criteria in Section 4.1. Thereafter, projects will be recommended to the Finance Committee, which approves those that qualify as eligible projects. The Finance Committee is composed of senior representatives from:

- Treasury Team
- Business Management Team
- Credit Strategy Team
- Risk Strategy Team
- Law & Compliance Team
- Accounting Team

The proceeds of each green, social, sustainability debt instrument can be used both for the financing and/or refinancing of eligible projects. Lotte Card will allow a look-back period of two years for refinanced projects.

For existing issuances, the Treasury Team will review annually the eligibility of those projects based on the criteria described in Section 4.1. The information to be reviewed will include:

- The list of projects previously approved
- Information on the allocated proceeds
- Information on the unallocated proceeds
- The social and/or environmental impact of the projects
- Other necessary information

4.3 Management of Proceeds

Under the Treasury Team's management, the proceeds from each green, social, sustainability debt instrument issued will be allocated to eligible assets and projects and will be tracked via an internal accounting system.

It is Lotte Card's intention to allocate proceeds as soon as possible, and Lotte Card commits on a best effort basis to allocate all proceeds from sustainable finance debt instruments within two years of their issuance. Pending allocation, net proceeds from the sale of the notes may be invested in cash, cash equivalents and/or marketable securities, subject to exclusion criteria.

During the life of the issued sustainable financing debt instruments, if the designated assets or projects are sold or considered to cease to fulfil the eligibility criteria as determined by the Treasury Team, the net proceeds will be re-allocated to replacement assets or projects that comply with the eligibility criteria on a best efforts basis as soon as reasonably practicable.

4.4 Reporting

Lotte Card will produce post-issuance reports annually, or more frequently in case of material developments, until full allocation. The reports will contain contents as set out below.

4.4.1 Allocation Reporting

Information regarding the allocation of proceeds will include:

- List of eligible assets and projects financed or refinanced
- Amount allocated to eligible assets and projects
- Geographical distribution of eligible assets and projects
- Proportion between financing and refinancing
- Amount of unallocated proceeds and its temporary treatment

4.4.2 Impact Reporting

Where possible and subject to data availability and confidentiality, information regarding the environmental and/or social impact will be disclosed based on the following example of impact indicators:

Category	Sample Impact Indicators
Green Buildings	<ul style="list-style-type: none">• Type/number of green building certifications obtained• Total floor area of certified green buildings
Energy Efficiency	<ul style="list-style-type: none">• Energy savings achieved• Greenhouse gas emissions reduced/avoided
Renewable Energy	<ul style="list-style-type: none">• Renewable energy generated/purchased• Greenhouse gas emissions reduced/avoided
Clean Transportation	<ul style="list-style-type: none">• Number of clean vehicles deployed• Number of clean vehicle charging/refuelling stations installed
Sustainable Water and Wastewater Management	<ul style="list-style-type: none">• Water savings achieved
Pollution Prevention and Control	<ul style="list-style-type: none">• Concentration or percentage of dust reduced
Access to Essential Services	<ul style="list-style-type: none">• Amount of financing provided to target populations• Number of accessibility features deployed
Employment Generation	<ul style="list-style-type: none">• Number of small and medium-sized enterprises supported• Number of people employed from target populations

The reports will be made available on Lotte Card's website.

5. External Review

Lotte Card has engaged Sustainalytics to provide a Second Party Opinion to assess and confirm that the Framework is in line with relevant ICMA, LMA, LSTA, APLMA principles and guidelines. The Second Party Opinion is published on Lotte Card's website.

Lotte Card may engage an independent third party to conduct post-issuance assurance on the allocation of proceeds and impact reporting. The assurance reports will be published on Lotte Card's website.