

Second-Party Opinion

Heungkuk Life Sustainable Development Bond

Evaluation Summary

Sustainalytics is of the opinion that the Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond Framework is credible and impactful, and aligns with the Green Bond Principles 2018, the Social Bond Principles 2018 and the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible use of proceeds categories , (i) renewable energy, (ii) sustainable water and waste water management, (iii) pollution prevention and control, (iv) clean transportation, (v) access to essential services, and (vi) affordable housing, are aligned with those recognized by the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. Sustainalytics considers that financing these eligible projects have positive environmental or social impacts and advance the UN Sustainable Development Goals 3, 4, 6, 7 and 11.



PROJECT EVALUATION / SELECTION Sustainalytics views Heungkuk Life’s internal process of evaluating and selecting projects are in line with market practice, considering that the investment committee composed of the CIO, Head of Risk Management Team, Head of Financial Investment Team, and Head of Asset Planning Team, will make the final decision after the investment team’s evaluation and selection.



MANAGEMENT OF PROCEEDS Heungkuk Life’s processes for management of proceeds are in line with market practice. The General Management Division and Asset Management Division will track the proceeds using internal tracking systems. Pending full allocation, the unallocated net proceeds will be held or invested in cash, cash equivalents or be used to re-pay commercial paper.



REPORTING Heungkuk Life is committed to disclosing an annual allocation report on its website. The report will include amounts allocated by each eligible project category, unallocated amounts as well as case studies of selected projects. Where feasible, Sustainalytics encourages Heungkuk Life to commit to reporting quantitative environmental and social key performance indicators in impact reporting, to further strengthen the framework.

Evaluation date	19 April 2019
Issuer Location	Seoul, South Korea

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Introduction

Heungkuk Life Insurance Co., Ltd. (“Heungkuk Life” or the “Company”) is a South Korean insurance company founded in 1950. Heungkuk Life provides a broad range of insurance products and services including life insurance products, annuities, savings insurance products, variable insurance products, and retirement pension products. The company is a subsidiary of Taekwang Industrial Co., Ltd..

Heungkuk Life has developed the Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond Framework (the “Framework”) under which it intends to issue Green Bonds, Social Bonds or Sustainability Bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects related to the following 6 categories:

Green Eligible Categories:

1. Renewable Energy
2. Sustainable Water and Wastewater Management
3. Pollution prevention and control
4. Clean transportation

Social Eligible Categories:

5. Access to essential services
6. Affordable Housing

Heungkuk Life engaged Sustainalytics to review the Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond Framework and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles (“GBP”), Social Bond Principles (“SBP”) and the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics reviewed relevant public and non-public documentation to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Heungkuk Life’s green, social or sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond Framework and should be read in conjunction with that Framework.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

² The Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond Framework is available on Heungkuk Life’s website at: <https://www.heungkuklife.co.kr/front/public/materialList.do>.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond Framework

Summary

Sustainalytics is of the opinion that the Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and the Sustainability Bond Guidelines 2018. Sustainalytics highlights the following elements of Heungkuk Life's Sustainable Development Bond Framework:

- Use of Proceeds:
 - The eligible use of proceeds categories (renewable energy, sustainable water and wastewater management, pollution prevention and control, clean transportation, access to essential services and affordable housing) are recognized by the Green Bond Principles 2018, Social Bond Principles 2018, and Sustainability Bond Guidelines 2018 as projects providing clear environmental and/or social benefits.
 - Heungkuk Life intends to use part of the bonds' proceeds to finance OPEX such as generation, storage, distribution, and sale of renewable energy projects. Sustainalytics recognizes that CAPEX is generally preferred by investors for financing the projects, however, it also believes that OPEX will be important to maintain renewable energy projects and to sustain positive environmental impacts, given the nature to the projects.
 - Sustainalytics highlights that Heungkuk Life limits financing of hydroelectric power facilities to run of river or facilities with a generation capacity of lower than 25 megawatts. In addition, financing of biomass energy sources is limited to those that do not compete with food production, are not grown in areas with currently or previously high in biodiversity, and do not decrease carbon pools in soil. The company also restricts financing to biomass energy facilities with direct emissions of 100gCO₂e/kWh.
 - For waste to energy projects, Heungkuk Life is committed to limiting projects to those that are in the government-led scheme, Public-Private Partnership, which has in place a process to ensure that the projects comply with all environmental regulations including the regulations on air pollution.
 - Sustainalytics positively views the Heungkuk Life's commitment on non-fossil fuel freight as well as setting a carbon emission threshold for hybrid cars of 75g CO₂/km, aligning with the low carbon trajectory of the sector.
 - As part of the social use of proceeds, Heungkuk Life intends to invest in public education such as elementary, middle and high schools as well as public hospitals. Sustainalytics believes that public facilities are accessible and affordable for vulnerable populations therefore will create positive impact.
 - Heungkuk Life will also finance affordable housing projects in accordance with the governmental scheme "Korea Land and Housing Corporation Act's Public Rental Housing Programs". The eligibility criteria and a target population are clearly defined while the scheme is applicable to people with income below the national average. Given the clear target criteria and population, Sustainalytics considers that the projects will create positive impact.
- Project Evaluation and Selection:
 - Sustainalytics views Heungkuk Life's internal process of evaluating and selecting projects in line with market practice, considering that the investment committee, is composed of the CIO, the Head of the Risk Management Team, the Head of the Financial Investment Team, and the Head of the Asset Planning Team, and will make the final decision after the investment team's evaluation and selection.
- Management of Proceeds:
 - The proceeds will be tracked by the General Management Division and Asset Management Division using internal tracking systems. Pending full allocation, the unallocated net proceeds will be held or invested in cash, cash equivalents or used to re-pay commercial paper. Sustainalytics considers Heungkuk Life's management of proceeds to be aligned with market practice.

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- Reporting:
 - Heungkuk Life is committed to annual reporting on allocation information including amount of proceeds allocated per eligible project category, amount of proceeds unallocated as well as sample case studies of selected projects on its website. Where possible, Sustainalytics encourages the company to report on new financing vs. refinancing.
 - Considering the importance of transparency on green and social projects as well as to strengthen the framework, Sustainalytics encourages Heungkuk Life to commit to disclosing quantitative key performance indicators in impact reporting, where feasible.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that Heungkuk Life 's green, social and sustainability bond proceeds align to the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of Framework to Issuer's sustainability strategy

Heungkuk Life includes "management that contributes to society" as one of the four pillars of its Management Philosophy and aims to return benefits to society through social contribution activities.³ Furthermore, in its Code of Ethics, Heungkuk Life pledges to "fulfill the social responsibilities required of a corporation and contribute to the national economy and social development by taking the initiative in complying various laws and establishing a fair financial order".⁴ In addition, the company has established a sustainability policy in 2000, and integrated it to the Code of Ethics, with commitments to (i) comply with relevant regulations, (ii) supporting and fostering employees to conduct businesses and activities that have a positive impact to local communities and (iii) recognizing environmental responsibilities and preserving the environment.⁵

To address to environmental and social issues through its business, Heungkuk Life has initiated sustainable investments since 2006. As of March 2019, Heungkuk Life has invested in KRW 1.8 trillion on green and social projects in South Korea, the United States, Canada, the United Kingdom, and Japan, ranging from renewable energy generation to provision of public housing.

Given the above, Sustainalytics considers Heungkuk Life's framework is aligned with the company's social and environmental commitments.

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

While Sustainalytics recognizes that Heungkuk Life's investments in green and social projects generate largely positive environmental and social impacts, the projects may be exposed to risks including loss of forests, community conflict, and among others. Furthermore, any social benefits programs may be exposed to risks related to appropriate targeting of beneficiaries and the management of funds. Heungkuk Life has processes in place to address or mitigate these potential risks, including:

- Heungkuk Life's project selection process for the Sustainable Development Bond Framework defines exclusionary criteria for its investments, which includes business related to gambling, tobacco, alcohol, weapons, adult entertainment, nuclear energy, as well as fossil fuels.
- For biomass energy projects, Heungkuk Life is committed to limiting to sources which do not compete with food production, are not grown in areas with currently or previously high in biodiversity, and do not decrease carbon pools in soil. Furthermore, Heungkuk Life restricts financing to facilities with GHG emissions greater than 100gCO₂e/kWh. The company also restricts financing to hydro projects with a

³ Heungkuk Life, "Management Philosophy", at: <https://www.heungkuklife.co.kr/jsps/front/company/summary/ci-summary.jsp>.

⁴ Heungkuk Life, "Ethics management (Promise)", at: <https://www.heungkuklife.co.kr/jsps/front/company/summary/ci-summaryEthics.jsp>.

⁵ Heungkuk Life, "Ethics management (Code of Ethics)", at: <https://www.heungkuklife.co.kr/jsps/front/company/summary/ci-summaryEthics.jsp>.

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- generating capacity of greater than 25 megawatts. Additionally, Heungkuk Life has confirmed with Sustainalytics that the projects for waste to energy strictly comply with Clean Air Conservation Act.
- For the social use of proceeds, Heungkuk defines the clear target projects for essential services limiting to public schools and hospitals, as well as target population for affordable housing limiting to people with lower income of national average.

While Sustainalytics views that Heungkuk Life has adequate environmental and social risks management systems in place to mitigate risks associated with the projects, but encourages Heungkuk Life to further strengthen its assessment and selection process to identify and mitigate risks from eligible projects.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are recognized as impactful by the Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018. Sustainalytics has focused on the impact relevant in the local context.

Importance of renewable energy generation for reducing GHG emissions and rebalancing the energy mix

Following the increase of public awareness on fine dust and nuclear safety within the country, South Korea's government announced an energy policy transformation in June 2017 to gradually reduce dependence on nuclear and coal power, and accelerate the shift towards renewable energy and natural gas.⁶ In response to this policy, the 8th national electricity procurement plan was published in 2017, and set out a target to increase the share of renewable generation in the total electricity production from 7% in 2017 to 20% by 2030. The plan also showed the government's aim to increase installed renewable energy capacity from 11.3GW in 2017 to 58.5GW by 2030.⁷ Additionally, as part of their commitments under the Paris Agreement, the country intends to reduce GHG emissions by 37% compared to business-as-usual levels by 2030,⁸ which indicates the need to accelerate the expansion of low-carbon energy generation capacities.

Given this context, Sustainalytics holds a positive view that Heungkuk Life's financing of renewable energy related projects is aligned with South Korea's energy policy and will contribute to advance the country's renewable energy goals and climate targets.

Contribution of sustainable water and wastewater management for mitigating scarcity risks

The annual average rainfall of South Korea is 1,283mm, which is 1.4 times higher than the global average. However, due to high population density, annual rainfall per person is 2,591mm which is 13% of the global average, and two-thirds of the annual rainfall is concentrated in the summertime.⁹ Furthermore, "Environmental Outlook to 2050" published by OECD in 2012, described South Korea as a country under severe water stress, based on a statistic that shows water abstractions as a percentage of renewable water resources in South Korea was 40% in 2009, the highest among the OECD countries.¹⁰ Moreover, recent studies suggested increased seasonality and regional variability of mean and extreme precipitation, with the rainfall variation likely to increase over time, thus putting increased pressure on water quality and availability.¹¹

⁶ Lee, S. (2017), "Energy Transition and Renewable Energy in Korea", at: https://www.unescap.org/sites/default/files/Session%201-6.%20Sanghoon%20Lee_GESI.pdf.

⁷ Ministry of Trade, Industry and Energy, "Ministry announces 8th Basic Plan for Electricity Supply and Demand", 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.

⁸ NDC Registry, "Intended Nationally Determined Contribution (Submission by the Republic of Korea)", at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Republic%20of%20Korea%20First/INDC%20Submission%20by%20the%20Republic%20of%20Korea%20on%20June%202030.pdf>.

⁹ OECD (2015), "Water Resources Allocation (Korea)", at: <https://www.oecd.org/korea/Water-Resources-Allocation-Korea.pdf>.

¹⁰ OECD (2012), "OECD Environmental Outlook to 2050", at: https://espas.secure.europarl.europa.eu/orbis/sites/default/files/generated/document/en/OECD%20Environmental%20outlook%20to%202050_0.pdf.

¹¹ Jung, I. et al. (2011), "Recent trends of mean and extreme precipitation in Korea", at: <https://rmets.onlinelibrary.wiley.com/doi/pdf/10.1002/joc.2068>.

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Given the current water challenges in South Korea, Sustainalytics is of the opinion that the Heungkuk Life's financing of water and wastewater infrastructure will create positive impact by supporting the establishment of sustainable water management systems.

Necessity of air pollution prevention and waste reduction

In 2015, South Korea's mean annual population exposure to fine particulate matter (PM_{2.5}) was 28.7 microgrammes/m³,¹² which largely exceeded the quality standard set by the World Health Organization (WHO) of an annual mean of 10 microgrammes/m³,¹³ and ranked 5th in highest exposure among the 35 OECD nations.¹⁴ Chronic exposure to PM, a complex mixture of particles of organic and inorganic substances suspended in the air, contributes to the risk of developing cardiovascular and respiratory diseases, as well as lung cancer,¹⁵ posing major concerns for the national environment and public health. Sustainalytics is of the opinion that Heungkuk Life's financing related to reducing harmful particles will deliver a significant positive contribution to reduce environmental ground and air pollution and health risks.

Separately, regarding waste related issues, South Korea recovers more than 80% of its generated waste, and achieves a top-level recycling rate within the OECD nations.¹⁶ However, approximately 56% of recyclable wastes are being either buried in landfills or incinerated,¹⁷ leaving much room for improvement. As a resource-poor and energy intensive society, South Korea enacted the Framework Act on Resource Circulation in 2016 to promote circular utilization and appropriate treatment of waste generated. It is Sustainalytics view that Heungkuk Life's financing of waste-to-energy plants and recycling facilities will support the government's efforts to transform a resource-circulating society while mitigating the negative environmental impacts of landfills, such as the emission of methane and carbon dioxide, which contributes to local smog and global climate change, increasing soil and water pollution, and the loss of biodiversity.

Importance of low carbon transportation in mitigating GHG emissions

CO₂ emissions from transportation sector accounted for 16.3% of the total fuel combustion in 2014.¹⁸ Within the revised version of the Basic Roadmap for 2030 National Greenhouse Gas Reduction set out on July 2018, the South Korean government pledged to reduce 31 million tons of GHG emissions in the transportation sector, for achieving its Nationally Determined Contribution (NDC) of a 37% reduction in GHG emissions below the 2030 business-as-usual level (850.8 MtCO₂e) by 2030. In terms of percentage reductions compared to business-as-usual levels, a reduction of more than 25% is expected for the sector, being one of the largest reduction among all sectors.¹⁹ Sustainalytics is of the opinion that Heungkuk Life's financing of low carbon and electrified mobility systems and infrastructure will contribute to achieving South Korea's GHG emissions targets.

In addition, fossil-fuel vehicles are a major source of pollution, by releasing nitrous oxide, fine particulate matter and ozone into the atmosphere. Considering that South Korea faces severe air pollution with PM_{2.5} exposure exceeding the WHO guideline value, Sustainalytics is of the opinion that Heungkuk Life's financing of electric vehicles and rail infrastructure and/or other non-fossil fuel mobility systems will create positive impact by improving air quality and contributing to the prevention of negative health impacts.

¹² The World Bank, "PM_{2.5} air pollution, mean annual exposure (micrograms per cubic meter)", at: <https://data.worldbank.org/indicator/EN.ATM.PM25.MC.M3>.

¹³ World Health Organization, "Ambient (outdoor) air quality and health", at: [https://www.who.int/news-room/fact-sheets/detail/ambient-\(outdoor\)-air-quality-and-health](https://www.who.int/news-room/fact-sheets/detail/ambient-(outdoor)-air-quality-and-health).

¹⁴ The World Bank, "PM_{2.5} air pollution, mean annual exposure (micrograms per cubic meter)", at: <https://data.worldbank.org/indicator/EN.ATM.PM25.MC.M3>.

¹⁵ World Health Organization, "Ambient (outdoor) air quality and health", at: [https://www.who.int/news-room/fact-sheets/detail/ambient-\(outdoor\)-air-quality-and-health](https://www.who.int/news-room/fact-sheets/detail/ambient-(outdoor)-air-quality-and-health).

¹⁶ OECD (2017), "Environmental performance reviews-Korea", at: https://www.oecd.org/environment/country-reviews/OECD_EPR_Korea_Highlights.pdf.

¹⁷ Ministry of Environment, Korea Environment Institute (KEI), "Introduction of the Framework Act on Resource Circulation toward Establishing a Resource-Circulating Society in Korea", at: <http://www.greengrowthknowledge.org/national-documents/introduction-framework-act-resource-circulation-toward-establishing-resource>.

¹⁸ The world bank, "CO₂ emissions from transport (% of total fuel combustion)", at: <https://data.worldbank.org/indicator/EN.CO2.TRAN.ZS?end=2014&locations=KR&start=1989&view=chart>.

¹⁹ Ministry of Environment, Japan, "2030 Amendment to the GHG Reduction Roadmap and Plan for the allocation of emission allowances from 2018 to 2020", at: <http://www.me.go.kr/home/web/board/read.do?pagerOffset=0&maxPageItems=10&maxIndexPages=10&searchKey=&searchValue=&menuId=286&orgCd=&boardId=886420&boardMasterId=1&boardCategoryId=&decorator>.

Importance of supporting public schools and hospitals

South Korea achieves a high educational attainment rates, with the share of 25-34 year-olds with at least an upper secondary education being 98%, above the OECD average of 84% in 2015. Investment in educational institutions is among the highest in OECD countries, with one of the highest shares of private funding. In 2013, South Korea's expenditure on educational institutions from private sources was 1.9% of the Gross Domestic Product, above the OECD average of 0.7% of GDP. Due to the high dependence on private expenditures, the South Korean government has been introducing initiatives to help reduce the financial pressure on households, such as providing scholarships and loans, and facilitating solutions to stabilize education fees.²⁰ Considering that public schools offer tuition-free education for elementary schools as well as low-tuition education in upper secondary and higher levels of education,²¹ Sustainalytics is of opinion that Heungkuk Life's financing of public education will increase the delivery of accessible and quality education opportunities for lower-income households and contribute to an improvement of equity of access to education.

Furthermore, medical services in South Korea also rely heavily on the private sector, in which private hospitals and clinics accounted for 94% of all medical facilities in 2012. In addition, geographic disparity is observed with 86.9% of the total number of hospitals concentrated in urban areas in 2012. To secure health service distribution for the population, especially for vulnerable groups, the government introduced a five-year plan to strengthen public health-care in 2005 along with a target to expand the public share of total hospital beds to 30%, however this target has not yet been achieved.²² In a situation that profit-oriented private health providers are dominant, Sustainalytics considers that the use of proceeds of Heungkuk Life's sustainability bonds will thus play a supportive role in matching South Korea's public health care needs and assist the country in meeting its targets.

Importance of access to Affordable Housing for low- and moderate-income populations

Housing policy in South Korea has historically been characterized by government intervention to support the construction of housing units by providing land to developers, financing initiatives, various regulations, and direct actions by state-owned corporations.²³ These measures were designed to ameliorate widespread housing shortages and deficiencies in quality, and were largely successful in meeting these goals.²⁴ However, housing affordability remains an ongoing issue, in particular in major cities, which have seen substantial population growth. Socioeconomic and systemic factors, such as demographic shifts and the decline of the traditional Jeonse rent system, have exacerbated the situation. In the city of Seoul, despite a 2.3 time increase in housing stock between 1990 and 2015, purchase prices and rent levels continue to increase, impacting affordability, particularly for tenants.²⁵ To address this issue, government policy has moved towards more targeted programmes for low-income earners, young people, and other vulnerable groups.²⁶

Sustainalytics is of the opinion that Heungkuk Life's financing towards affordable housing projects in accordance with the government scheme, Korea Land and Housing Corporation Act's Public Rental Housing Program, will create positive social impact by increasing lending to affordable housing for populations living below the national income average in South Korea. Heungkuk Life's affordable housing use of proceeds category is important in the context of affordability challenges in South Korea.

²⁰ OECD (2015), "Education Policy Outlook -Korea", at: <http://www.oecd.org/education/Education-Policy-Outlook-Korea.pdf>.

²¹ WENR, "Education System Profiles -Education in South Korea", at: <https://wenr.wes.org/2018/10/education-in-south-korea>.

²² Asia Pacific Observatory on Public Health Systems and Policies (2015), "Republic of Korea Health System Review", at: https://apps.who.int/iris/bitstream/handle/10665/208215/9789290617105_eng.pdf;jsessionid=10596F53849FB0808B4CFAAA612E8725?sequence=1.

²³ Kim, K. et al. (2017), "Housing policy in the Republic of Korea", Asian Development Bank Institute, at: <https://www.asiapathways-adbi.org/2017/08/housing-policy-in-the-republic-of-korea/>.

²⁴ Kim, K. et al. (2016), "Housing Policy in the Republic of Korea", Asian Development Bank Institute, at: <https://www.adb.org/sites/default/files/publication/183281/adbi-wp570.pdf>.

²⁵ Park, E. et al., "Affordable Rented Housing Strategies in Seoul", The Seoul Institute, at: <http://global.si.re.kr/content/affordable-rented-housing-strategies-seoul>.

²⁶ "Seoul's revitalisation of youth housing", Retalk Asia, at: <https://www.retalkasia.com/news/2017/10/30/seoul%E2%80%99s-revitalisation-youth-housing/1509329098>.

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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 green, social and sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable water and waste water management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Pollution prevention and control	11. Sustainable cities and communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Clean transportation		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.
Affordable housing		11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Access to essential services	4. Quality Education	4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy
	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Conclusion

Heungkuk Life has developed the Sustainable Development Bond Framework to finance eligible projects in the areas of renewable energy, sustainable water and wastewater management, pollution prevention and control, clean transportation, access to essential services, and affordable housing. It is supporting projects with clear environmental benefits by mitigating GHG emissions and preventing resource waste, as well as social benefits by providing access to education, healthcare, and housing for vulnerable populations.

Heungkuk Life's Sustainable Development Bond Framework displays market practices in (i) alignment of the eligibility criteria with projects recognized by the Green Bond Principles, 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018 as having clear environmental and/or social benefits, (ii) project selection process overseen by the investment committee, and (iii) managing the allocated and unallocated proceeds by using an internal tracking system. Where feasible, Sustainalytics encourages Heungkuk Life to report quantitative key performance indicators in impact reporting to further strengthen the framework.

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Furthermore, Sustainalytics believes that the investments funded by the sustainability bonds will contribute to the advancement of the UN Sustainable Development Goals, in particular 3,4, 6, 7, and 11.

Based on the above, Sustainalytics is of the opinion that Heungkuk Life's Sustainable Development Bond Framework is credible and aligns with the Green Bond Principles, 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018.

Appendices

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Heungkuk Life Insurance Co., Ltd.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Heungkuk Life Sustainable Development Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	19 April 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

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)*

Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond

Please refer to Evaluation 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 eligible use of proceeds categories, (i) renewable energy, (ii) sustainable water and waste water management, (iii) pollution prevention and control, (iv) clean transportation, (v) access to essential services, and (vi) affordable housing, are aligned with those recognized by the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. Sustainalytics considers that financing these eligible projects have positive environmental or social impacts and advance the UN Sustainable Development Goals 3, 4, 6, 7 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" 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 checked="" 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 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 checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |

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- | | |
|--|--|
| <input type="checkbox"/> Food security | <input 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):

Heungkuk Life's internal process of evaluating and selecting projects as in line with market practice, considering that the investment committee composed of the CIO, Head of Risk Management Team, Head of Financial Investment Team, and Head of Asset Planning Team, will make the final decision after the investment team's evaluation and selection.

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 type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input 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):

Heungkuk Life's processes for management of proceeds are in line with market practice. The General Management Division and Asset Management Division will monitor and account for the allocation of the proceeds using internal tracking systems. Pending full allocation, the unallocated net proceeds will be held or invested in cash, cash equivalents or be used to re-pay commercial paper.

Tracking of proceeds:

Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond

- 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 checked="" 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):

Heungkuk Life is committed to disclosing an annual allocation report on its website. The report will include unallocated amounts by each eligible project category, amounts of unallocated as well as case studies of selected projects. Where feasible, Sustainalytics encourages Heungkuk Life to commit to reporting quantitative environmental and social key performance indicators in impact reporting, to further strengthen the framework.

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

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond

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

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|--|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Sample case studies of selected projects |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Heungkuk Life's website |
| <input type="checkbox"/> 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.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

Heungkuk Life Insurance Co., Ltd. Sustainable Development Bond

- 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.
- ii. **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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