

Second-Party Opinion

Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Korea Western Power Co., Ltd. Green Social and Sustainability Financing Framework is credible and impactful, and aligns with the Green Bond Principles 2018, the Social Bond Principles 2018, the Sustainability Bond Guidelines 2018 and the Green Loan Principles. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Pollution Prevention and Control (iii) Energy Efficiency, (iv) Socio Economic Advancement and Empowerment, and (v) Small-Medium (SME) Financing – are aligned with those recognized by the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines and/or the Green Loan Principles. Sustainalytics considers the Eligible Green and Social Assets will support the company in transitioning its business model towards renewable energy production and away from fossil-fuel-based electricity production. Additionally, Sustainalytics believes that KOWEPO’s social projects will contribute to the support of employment generation and socio-economic advancement by supporting SMEs and underserved communities and target groups in South Korea.



PROJECT EVALUATION / SELECTION A Sustainability Working Group (‘SWG’) comprised of representatives from various functional teams within KOWEPO will oversee the project evaluation and selection process. The SWG will review, select and validate the pool of Eligible Green and Social Assets in accordance to KOWEPO’s eligibility criteria. This process is aligned with market practices.



MANAGEMENT OF PROCEEDS KOWEPO’s management of proceeds process is in line with market practices as the company will earmark eligible projects in its general account. Pending allocation or reallocation, KOWEPO will invest the unallocated sustainability proceeds at its own discretion in cash and/or cash equivalent and/or other liquid marketable instruments.



REPORTING KOWEPO committed to disclose a combined allocation and, if possible, impact report, which will be made available in the company’s annual sustainability report or on their website. The (i) allocation report will comprise descriptions of the Eligible Green and Social Assets financed, the aggregated amounts allocated for each asset and the balance of unallocated proceeds while the (ii) impact report will include relevant quantitative metrics. The scope and granularity of KOWEPO’s reporting is in line with market practices.

Evaluation date	9 January 2019
Issuer Location	Taeon, South Korea

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For inquires, contact the Sustainable Finance Solutions project team:

Lili Hocke (Amsterdam)
Project Manager
lili.hocke@sustainalytics.com
(+31) 20 205 00 40

Mihai Cojocaru (Timisoara)
Project Lead
mihai.cojocaru@sustainalytics.com
(+31) 20 888 7292

Begum Gursoy (Timisoara)
Project Support
begum.gursoy@sustainalytics.com
(+40) 0356 089 978

Nicholas Gandolfo (Singapore)
Client Relations
susfinance.apac@sustainalytics.com
+852 3008 2391

Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework

Introduction

Korea Western Power Co. Ltd. (“KOWEPO”) is a producer and seller of electricity in South Korea and internationally. The company owns, operates and maintains power generation facilities with a total capacity of 11,314 MW. The company was founded in 2001 and is headquartered in Taean, South Korea. KOWEPO is a subsidiary of Korea Electric Power Corporation.

KOWEPO has developed the Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework (the “Framework”) under which it is considering to issue sustainability bonds and green loans and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects and loans that would support the company in transitioning towards renewable energy production, with a focus on supporting job creation and the South Korean network of SMEs. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution, Prevention and Control
4. Socio-economic advancement and empowerment
5. Small-Medium Enterprise (SME) Financing

KOWEPO engaged Sustainalytics to review the Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework and provide a second-party opinion on the alignment of the Framework with the Green Bond Principles 2018 (the “GBP”),¹ the Social Bond Principles 2018 (the “SBP”),² the Sustainability Bond Guidelines 2018 (the “SBG”),³ as administered by the International Capital Market Association (the “ICMA”),⁴ and the Green Loan Principles (the “GLP”), as administered by the Loan Market Association (the “LMA”) and the Asia Pacific Loan Market Association (the “APLMA”).⁵ This Framework has been published in a separate document.⁶

As part of this engagement, Sustainalytics held conversations with various members of KOWEPO’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 KOWEPO’s sustainability financing. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework and should be read in conjunction with that Framework.

¹ ICMA’s Green Bond Principles 2018 available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² ICMA’s Social Bond Principles 2018 available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ 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.

⁴ ICMA’s Sustainability Bond Guidelines 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁵ The Green Loan Principles available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

⁶ <https://www.iwest.co.kr/eng>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework

Summary

Sustainalytics is of the opinion that the Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018, the Social Bond Principles 2018, the Sustainability Bond Guidelines 2018 and the Green Loan Principles. Sustainalytics highlights the following elements of KOWEPO's Framework:

Use of Proceeds:

- The use of proceeds categories of the Framework are recognized as environmentally and socially impactful by the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines and the Green Loan Principles. Sustainalytics considers that KOWEPO's investments will support the company in transitioning its business model towards renewable energy production. In addition, KOWEPO's target populations for social financing include the elderly, disabled, women in career transition, farmers, fishermen and SMEs. While KOWEPO has specified some programmes and activities to be financed under the social categories of the bond, Sustainalytics encourages the company to disclose on issuance details on the specific social programmes and activities financed. For detailed information on impact, please refer to Section 3.
- KOWEPO confirmed to Sustainalytics that the company will exclude any fossil fuel-related assets or projects (fossil fuel-based electricity production, distribution, operational improvement or R&D) and use the green proceeds strictly for the expansion of its renewable energy capacities.
- Separately, KOWEPO also confirmed that its energy storage systems will store only electricity originating from renewable and clean sources, supporting the company's transition to renewable energy sources.

Project Selection Process:

- KOWEPO's project selection process will be executed through a Sustainability Working Group comprising representatives from various functional teams such as the Budget and Financing Team, Renewable Energy Department, Power Generation Management Department and others. The Sustainability Working Group is tasked to oversee the entire process as well as to review, select and validate the pool of Eligible Green and Social Assets in accordance to KOWEPO's eligibility criteria. Sustainalytics assesses this process to be aligned with market practices.

Management of proceeds:

- KOWEPO confirmed that an amount equal to the net sustainability financing proceeds will be earmarked for allocation and deposited in the company's general account. Pending full allocation, KOWEPO will hold the unallocated proceeds and invest at its own discretion in cash and/or cash equivalent and/or liquid marketable instruments, in line with the company's budgeting and financing policy. Sustainalytics considers this process to be in line with market practices.

Reporting:

KOWEPO committed to disclose a combined allocation and, if feasible, impact report, which will be made available in the company's annual sustainability report or on their website.⁷ The allocation report will comprise relevant transactional data such as the aggregated amount of allocated proceeds for the Eligible Green and Social Assets, the balance of unallocated proceeds and a brief description of each asset funded under each of the relevant categories. In addition, KOWEPO has committed to report on environmental and social outcomes through relevant impact indicators such as installed renewable energy capacity (in MW), annual energy savings (in MWh), GHG emissions reduced (in tCO₂), number of SME loans granted, amount of social contribution spent and number of beneficiaries. Sustainalytics views KOWEPO's allocation and impact report to be aligned with current market practices due to the scope and granularity of the company's reporting commitments.

⁷ <https://www.iwest.co.kr/eng>

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Alignment with Sustainability Bond Guidelines 2018 and Green Loan Principles 2018

Sustainalytics has determined that the KOWEPO's sustainability financing transactions align to the four core components of the Green Bond Principles 2018, the Social Bond Principles 2018, the Sustainability Bond Guidelines 2018 and the Green Loan Principles 2018. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of Framework to Issuer's sustainability strategy and targets⁸

Sustainalytics is of the opinion that, although KOWEPO is primarily a fossil-fuel based company, it has demonstrated its intention to transition away from brown and less brown fossil fuel sources (coal and natural gas) to green energy sources and to substitute conventional sources with renewable and clean electricity production, based on the following:

- KOWEPO operates four power generation complexes in Korea, its total power generation capacity accounting for 9.7% of the total domestic installed capacity of the country. The company follows South Korea's "New and Renewable Energy 2030 Plan" (25% new and renewable energy, against its 3.7% baseline, by 2030) and plans to achieve 6.112 MW installed capacity of its new and renewable⁹ energy facilities in 2030, with related power generation of 18,758 GWh.
- To implement its renewable energy strategy, the company plans to develop new renewable energy sources, including solar energy, wind energy, fuel cells and energy from biomass. For example, KOWEPO has been constructing on-ground solar and floating solar plants, and developed offshore wind farm projects.
- The company also aims to increase the investment in the development of five core technologies for renewables, such as related system operation technology, power generation technology, and localization. As a result of these innovation efforts, KOWEPO aims to attain a greenhouse gas reduction rate of 3.6%.
- In addition, the company has launched the "WP Social Value Fulfilment Committee" to supporting welfare benefits to create jobs and carry out collaborative cooperation programs with local communities.

While Sustainalytics recommends KOWEPO to develop clear programmes for social impact, given the company's intention to expand its renewable energy capacity and planned investments into renewable energy research and development initiatives, Sustainalytics is of the opinion that KOWEPO is well positioned to issue green bonds, green loans, social bonds and sustainability bonds and that the use of proceeds will help the company advance its sustainability agenda.

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

Sustainalytics recognizes that the eligible categories bear certain environmental and social risks, including negative impact on biodiversity and communities from large-scale energy infrastructure facilities and worker health and safety risks related to the construction of facilities and R&D. Moreover, social projects may create some risk of increasing inequality if not targeted at a particular population.

Sustainalytics highlights the following measures that KOWEPO has taken to mitigate risks related to the use of proceeds:

- i) KOWEPO follows South Korean environmental and social regulations and all national policies and guidelines to mitigate environmental and social risks commonly associated with its Eligible Green and Social Assets. According to the South Korean legislation all energy producers are required to conduct environmental impact assessments covering (i) Atmospheric topics (meteorology, air quality, odor, GHGs), (ii) Water (water quality, marine environment, hydraulics & hydrology), (iii) Land

⁸ All information has been retrieved from KOWEPO's Sustainability Report available at: <https://www.iwest.co.kr/eng/sub.asp?mid=1282>

⁹ This category includes liquified natural gas-based electricity production

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(land use, soil, topography & geology), (iv) Natural (Flora & Fauna, Environmental property, (v) Ambient (waste, noise & vibration, landscape, sanitation & health, electromagnetic wave, shading), and (vi) Socioeconomic (population, resident, local industry). Sustainalytics highlights that South Korea's EIAs are regulated through an Environmental Impact Assessment Act which dictates a 11 step EIA process concluded by a final signoff from the relevant approval agency and the South Korean Ministry of Environment.¹⁰

- ii) KOWEPO implemented an 'Advanced Risk Management'¹¹ mechanism which implements prevention and response measures in line with the company's risk management strategy, seeking to minimize all sustainability risks related to electricity production. The risk identification and action response mechanism is based on three areas, 15 sectors and 27 crucial risk indicators through which the relevant teams analyze and categorize the risk level of each project, asset or activity. The risk levels are split into three categories: (i) Low Risk, requiring daily surveillance and regular monitoring, (ii) Medium Risk, based on a general audit and a financial audit, and (iii) High Risk, with a special audit and performance audit. Sustainalytics highlights that KOWEPO has 19 risk management teams in charge of conducting proactive risk forecasts and a company-wide risk management committee acting on specific financial and project selection tasks, ensuring risks are identified and addressed.
- iii) KOWEPO achieved OHSAS 18001 certification for occupational health and safety protection on all its operational sites, providing assurance that the company implements a systematic approach to secure workers health and safety. Sustainalytics also highlights that KOWEPO had an industrial accident rate of 0.2% in 2015, 0.11% on 2016 and 0.07% in 2017, well below the country's average rate of 0.5%, thus further reflecting the company's ability to enforce high-standard workers health and safety norms.
- iv) KOWEPO's social project targets defined segments of the population, such as fishermen or rural communities, and includes government-supported programmes to support underserved parts of the population, reducing risks of increasing inequality through untargeted financing.

Sustainalytics holds a positive view over KOWEPO's environmental and social risk mitigation processes due to the company's (i) comprehensive 'Advanced Risk Management' system along with the company's (ii) operational certification under the ISO9001 for quality standards ISO14001 for environmental management systems and OHSAS18001 for safety sanitation management, its (iii) below average industrial accident rate and (iv) targeted social investments. Overall, Sustainalytics is confident that KOWEPO is well positioned to identify and mitigate environmental and social risks commonly associated with its Eligible Green and Social Assets.

¹⁰ Environmental Impact Assessment System in South Korea available at: https://www.unece.org/fileadmin/DAM/env/eia/documents/WG2.1_apr2012/EIA_system_ROK_moon_Geneva.pdf

¹¹ Korea Western Power Sustainability Report available at: <https://www.iwest.co.kr/eng/sub.asp?mid=1282&act=Abou0801>

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are recognized as impactful by the GBP and the SBP. Sustainalytics has focused on three below where the impact is specifically relevant in local context.

Relevance of Renewable Energy Facilities and Energy Efficiency to South Korea's GHG emission targets

The renewable energy share in South Korea's energy mix is 7%,¹² while coal and nuclear account for over 70% of the country's electricity supply.¹³ In 2017, South Korea was ranked the eighth-largest energy consumer in the world¹⁴ and had an energy and carbon intensity above the G20 countries average.¹⁵ Moreover, the Climate Change Performance Index rated the South Korean level of electricity emission intensity as poor,¹⁶ highlighting the need for measures to reduce emissions from electricity production and increase energy efficiency.

In July 2018, the South Korean government established a new climate action plan including a reduction of its GHG emissions by 32.5% by 2030.¹⁷ Moreover, the government aims to increase its total installed capacity of renewable energy from 13.3 GW in 2016 to 63.8 GW by 2030, which would represent 20% of the total electricity generation in South Korea by 2030.¹⁸ However, even though the 15-year Plan for Electricity Supply and Demand commits the government to raise its renewable energy generation and limit the nuclear power production to 24% by 2030, coal would still account for 36.1% of generated electricity in 2030,¹⁹ indicating the need to foster renewable energy projects to decrease GHG emissions from the sector.

In addition, through a recent publication by the Korean Federation for Environment Movement,²⁰ the South Korea government aims to promote and support energy efficient measures and solutions in order to reach its Paris Agreement goal of decreasing its GHG emissions by 32.5%.²¹ Additionally, the South Korean government also seeks to lower the country's energy intensity by 46% between 2007 and 2030.²²

Given South Korea's high emissions from electricity production and GHG reduction targets, Sustainalytics considers KOWEPO's current projects and investments to expand its renewable energy capacity and increase energy efficiency to contribution to South Korea climate and energy targets. Additionally, Sustainalytics positively views KOWEPO's financing of research and development projects in the area of renewable energy, as this would further reinforce the company's ability to transition its business model towards renewable energy production as part of a larger low-carbon economy scenario.

Importance of supporting local SMEs for job creation in the South Korea context

KOWEPO intends to use part of the sustainability bond proceeds to finance education, rural developments and SMEs targeting among others the elderly, women and disabled, including financing of the Agricultural Fishery Win Win Cooperative Fund, which is used to support educational or scholarship projects for children of farmers and fishermen, businesses that promote the welfare of farming and fishing community by expanding health care, promoting cultural life, and businesses that develop or activate agricultural and fishing villages by improving settlement conditions, activating village communities, landscape improvement.

¹² Energy Transition and Renewable Energy in Korea; published December 12, 2017; https://www.unescap.org/sites/default/files/Session%201-6.%20Sanghoon%20Lee_GESI.pdf

¹³ South Korea Strengthens Grid to Take On More Renewables; published February 20, 2018; <https://www.greentechmedia.com/articles/read/south-korea-strengthens-grid-to-take-more-renewables>

¹⁴ EIA Country Analysis Brief: South Korea; published July 2018;

http://www.ieee.es/Galerias/fichero/OtrasPublicaciones/Internacional/2018/EIA_south_korea_20jul2018.pdf

¹⁵ Brown to Green: G20 Transition to a Low Carbon Economy. Republic of Korea; accessed December 2018; https://www.climate-transparency.org/wp-content/uploads/2016/09/Korea_Country-Profile.pdf

¹⁶ Brown to Green: G20 Transition to a Low Carbon Economy. Republic of Korea; accessed December 2018; https://www.climate-transparency.org/wp-content/uploads/2016/09/Korea_Country-Profile.pdf

¹⁷ Climate Action Tracker South Korea; accessed December 2018; <https://climateactiontracker.org/countries/south-korea/>

¹⁸ South Korea targets 58.5GW wind and solar by 2030; published December 19, 2017; <https://www.windpowermonthly.com/article/1453151/south-korea-targets-585gw-wind-solar-2030>

¹⁹ Climate Action Tracker South Korea; accessed December 2018; <https://climateactiontracker.org/countries/south-korea/>

²⁰ A New Amendment to the National Roadmap for Reducing Emissions Relies on Overseas Credits, September 15th, 2018 <https://www.climate-scorecard.org/2018/09/a-new-amendment-to-the-national-roadmap-for-reducing-emissions-relies-on-overseas-credits/>

²¹ Climate Action Tracker South Korea; accessed December 2018; <https://climateactiontracker.org/countries/south-korea/>

²² South Korea, Energy Efficiency Report; published March 2013; <https://library.e.abb.com/public/557d50223ed20a76c1257beb0044f3bc/South%20Korea.pdf>

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Sustainalytics considers the financed projects to contribute to employment generation and socio-economic advancement due to the important role of SMEs in South Korea's economy, unequal career opportunities for women,²³ and poverty among elderly.

According to the figures provided by Korea Federation of SMEs, SMEs provided more than 87% of the country's employment in 2014, indicating the importance of supporting SMEs and employment generation.²⁴

Moreover, in comparison with other OECD countries average of 13.1%, Korea gender pay gap is 34.6%,²⁵ and South Korea's employment rate for women of 56.9%, slightly below the OECD average, while the rate of working-age men is 76.3%,²⁶ indicating the importance of measures to support women's employment and career opportunities.

In addition, while South Korea managed to decrease poverty rates in the last decades, the poverty rate among the elderly (50-65 years) is 12% compared to 6% for people aged 35 to 50.²⁷ Korea launched the "Roadmap to a 75% Employment Rate",²⁸ aiming to address problems within older workers such as accepting low-paid non-regular work or marginal forms of self-employment through improving employment services for middle-aged and older workers,²⁹ demonstrating the importance of the issue in the country.

Moreover, while employment in agriculture only accounts for 4.8% of total employment in 2017,³⁰ poorest farmers make up 15% to 25% of the Korean rural population,³¹ indicating the importance of financing SMEs and agricultural development in rural areas.

Overall, Sustainalytics is of the opinion that KOWEPO's employment generation projects align with the South Korean government's vocational training programs and have the potential to improve gender equality and support underserved parts of the South Korean population.

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
Renewable Energy Energy Efficiency	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 double the global rate of improvement in energy efficiency
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.
Social Economic Advancement and Empowerment	5. Gender equality	5.1 End all forms of discrimination against all women and girls everywhere

²³ The Diplomat, The Struggles of South Korea's Working Women

How structural barriers impede South Korean women from joining the workforce, August 2016: <https://thedi diplomat.com/2016/08/the-struggles-of-south-koreas-working-women/>

²⁴ Status of Korean SMEs and Policy Tasks for the Implementation of SME-centered Economy:

https://www.kdi.re.kr/common/seminar_down.jsp?fno=WwP7itzKw2H0n7clP%2BQzKQ%3D%3D&fty=IKKLJlukyUcpG4EmUThiYg%3D%3D

²⁵ Earnings and wages - Gender wage gap - OECD Data": <https://data.oecd.org/earnwage/gender-wage-gap.htm>

²⁶ OECD, Employment Outlook Korea 2018 <https://www.oecd.org/korea/Employment-Outlook-Korea-EN.pdf>

²⁷ The Borgen project, A Look at the Poverty Rate in South Korea, September 2017: <https://borgenproject.org/the-poverty-rate-in-south-korea/>

²⁸ South Korea's Social Security Basic Plan available at: http://www.ssc.go.kr/menu/busi/busi040100_05.tiles

²⁹ Roadmap to a 70% Employment Rate: <https://www.kdevelopedia.org/resource/view/04201308020127599.do>

³⁰ South Korea - Employment in agriculture (% of total employment), World Bank Data 2017: <https://tradingeconomics.com/south-korea/employment-in-agriculture-percent-of-total-employment-wb-data.html>

³¹ Rural Development in South Korea, Asian Affairs An American Review 6(3):148-163 · October 2012:

https://www.researchgate.net/publication/261591288_Rural_Development_in_South_Korea

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Small-Medium Enterprise (SME) Financing	10. Reduced inequality	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin religion or economic or other status
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Conclusion

KOWEPO has developed the Korea Western Power Co. Ltd. Green Social and Sustainability Financing Framework under which it intends to issue sustainability bonds and use the proceeds to finance or refinance Eligible Green and Social Assets related to (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Socio-economic advancement and empowerment and (v) Small and Medium Enterprise (SME) Financing. To strengthen its framework, KOWEPO confirmed to Sustainalytics that it will not allocate green or social proceeds to any fossil-fuel related projects or assets (energy production, operational improvement, distribution or R&D).

Sustainalytics considers that the Eligible Green and Social Assets funded by the proceeds of the bonds and loans will provide a meaningful environmental contribution to support KOWEPO in shifting its business model away from brown and less brown (coal and LNG) electricity production to renewable energy. Moreover, KOWEPO's social initiatives will support SMEs and provide socio-economic advancement through vocational training to socially challenged individuals in South Korea.

Based on the above, Sustainalytics considers that KOWEPO is well positioned to issue green, social and/or sustainability bonds and loans, and that the Korea Western Power Co., Ltd. Green Social and Sustainability Financing Framework is credible, robust, aligns with the four pillars of the Green Bond Principles, Social Bond Principles, the Sustainability Bond Guidelines and the Green Loan Principles.

Appendices

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

Section 1. Basic Information

Issuer name:	Korea Western Power Co., Ltd.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 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)

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 use of proceeds categories of Korea Western Power Co., Ltd. Green, Social and Sustainability Financing Framework are recognized as environmentally and socially impactful by the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Green Loan Principles. Sustainalytics considers that KOWEPO's investments will support the company in transitioning its business model towards renewable energy production. In addition, KOWEPO's target population for social financing include the elderly, disables, women in career break, farmers, fishermen and SMEs. KOWEPO confirmed to Sustainalytics that the company will exclude any fossil fuel related assets or projects (fossil fuel-based electricity production, distribution, operational improvement or R&D) and use the green proceeds strictly for the expansion of its renewable energy capacities.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" 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 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 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 (please specify): |

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 checked="" 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):

KOWEPO's project selection process will be executed through a Sustainability Working Group comprising representatives from various functional teams such as the Budget and Financing Team, Renewable Energy Department, Power Generation Management Department and others. The Sustainability Working is tasked to oversee the entire process as well as to review, select and validate the pool of Eligible Green and Social Assets in accordance to KOWEPO's eligibility criteria. Sustainalytics assesses this process to be aligned with 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 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 (<i>please specify</i>): |

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*):

KOWEPO confirmed that an equal amount to the net sustainability financing proceeds will be earmarked for allocation and deposited in the company's general account. Pending full allocation, KOWEPO will hold the unallocated proceeds and invest at its own discretion in cash and/or cash equivalent and/or liquid marketable instruments, in line with the company's budgeting and financing policy. Sustainalytics assesses this process to be in line with market practices.

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Tracking of proceeds:

- 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 checked="" 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):

KOWEPO committed to disclose a combined allocation and impact report, which will be made available in the company's annual sustainability report or on their website: <https://www.iwest.co.kr/eng>. The allocation report will comprise relevant transactional data such as the aggregated amount of allocated proceeds for the Eligible Green and Social Assets, the balance of unallocated proceeds and a brief description of each asset funded under each of the relevant categories. In addition, KOWEPO committed to report on environmental and social outcomes through relevant impact indicators such as installed renewable energy capacity (in MW), annual energy savings (in MWh), GHG emissions reduced (in tCO₂), number or SME loans granted, amount of social contribution spent and number of beneficiaries. Sustainalytics views KOWEPO's allocation and impact report to be aligned with current market practices due to the scope and granularity of the company's reporting commitments.

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): | |

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Impact 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 (please specify): |

Frequency:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" 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): Installed renewable energy capacity (MW), Number of SME loans granted, Amount of social contribution spent and others |

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): sustainability report or corporate 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.)

Korea Western Power corporate website: <https://www.iwest.co.kr/eng/>

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

- 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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