

Second-Party Opinion

NAVER Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the NAVER Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018 and Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Energy Efficiency, Green Buildings, Renewable Energy, Sustainable Water Management, Circular Economy and Design, Clean Transportation, Digital Literacy, COVID-19 Crisis Response, Support for SMEs and Start-ups, and Employment of Women and Youth – are aligned with those recognized by the Sustainability Bond Guidelines 2018 and Green Loan Principles 2020. Sustainalytics considers that the eligible categories will provide environmental and social benefits such as improved energy efficiency and reduced GHG emissions of the Company's operations and relevant infrastructure while advancing the socio-economic development in South Korea. The Use of Proceeds are aligned with the UN Sustainable Development Goals (SDGs), specifically SDGs 3, 6, 7, 8, 11, 12.



PROJECT EVALUATION / SELECTION NAVER has established an internal committee, the Green Impact Group ("GIG"), with representatives from different departments, including Cash Equivalent Management, Board of Directors Secretariat, Space Management, Internal Audit, Marketing, Risk Management Support, Win-win Growth and Legal, to evaluate and select projects for final approval by the board and ESG Committee. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS NAVER's processes for management of proceeds is through an internal tracking register managed by the Finance department. The register will contain information regarding the type of funding transaction, key information and description of the allocation of the use of proceeds. Pending full allocation, unallocated proceeds will be invested in short term deposits or other short term liquid instruments in line with NAVER's liquidity guidelines. This is in line with market practice.



REPORTING NAVER Corporation intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include; (i) details of each transaction that is outstanding (ii) proceeds from each transaction that has been allocated to Eligible Projects (iii) share of financing and/or refinancing, (iv) balance of each transaction that is unallocated, and (v) examples of Eligible Projects, subject to confidentiality disclosures. In addition, NAVER is committed to reporting on relevant impact metrics. Sustainalytics views NAVER's allocation and impact reporting as aligned with market practice.



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Introduction

Established in 1999, NAVER Corporation (“NAVER”, the “Company”, or the “Issuer”) provides online search portal and mobile messenger platform services. NAVER’s business segments are (i) advertising, (ii) business platform, (iii) IT platform, (iv) content service (web comics, web novel, music), (v) messenger and other platforms. As of December 2020, NAVER operates in around 100 countries globally along with its six major subsidiaries (LINE, NBP, NAVER Financial, NAVER Webtoon, Works Mobile, SNOW).

NAVER has developed the NAVER’s Sustainable Finance Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and green loans to finance and/or refinance, in whole or in part, existing and/or future projects that will provide environmental and social benefits such as improved energy efficiency and reduced GHG emissions of the Company’s operations and relevant infrastructure while advancing the socio-economic development in South Korea.

The Framework defines green eligibility criteria in six areas:

1. Energy Efficiency
2. Green Buildings
3. Renewable Energy
4. Circular Economy and Design
5. Clean Transportation
6. Sustainable Water Management

The Framework defines social eligibility criteria in four areas:

1. Digital Literacy
2. COVID-19 Crisis Response
3. Supports for SMEs and Start-ups
4. Employment of Women and Youths

NAVER engaged Sustainalytics to review the NAVER Sustainable Finance Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG)¹ and the Green Loan Principles 2020 (GLP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Green Loan Principles 2020, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA; and the Green Loan Principles 2020, as administered by LMA⁵;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

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 Green Loan Principles are administered by the Loan Market Association and are available at: <https://www.lsta.org/content/green-loan-principles/>

³ The NAVER’s Sustainable Finance Framework is available on NAVER Corporation’s website at:

<https://www.navercorp.com/en/investment/sustainableFinanceFramework>.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁵ In addition to the Loan Markets Association, the Green Loan Principles are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NAVER'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 the Framework. NAVER representatives have confirmed (1) they understand it is the sole responsibility of NAVER to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NAVER.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NAVER has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NAVER's Sustainable Finance Framework

Sustainalytics is of the opinion that the NAVER's Sustainable Finance Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP), Green Loan Principles 2020 (GLP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of NAVER's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Energy Efficiency, Green Buildings, Renewable Energy, Sustainable Water Management, Circular Economy and Design, Clean Transportation, Digital Literacy, COVID-19 Crisis Response, Support for SMEs and Start-ups, and Employment of Women and Youth – are aligned with those recognized by the GBP, GLP and SBP. Sustainalytics considers that the eligible categories will provide environmental and social benefits such as improved energy efficiency and reduced GHG emissions of the Company's operations and relevant infrastructure while advancing the socio-economic development in South Korea.
 - NAVER has established a three-year look-back period and intends to fully allocate the net proceeds within two years of issuance, which Sustainalytics considers to be in line with market practice.
 - Under the Energy Efficiency category, the Company intends to invest in data centers with Power Usage Effectiveness ("PUE") of 1.5 or less, and energy-efficient technologies, products or equipment that are non-motorized or powered by electricity. Such technologies, products or equipment include HVAC upgrades, cooling technology, LED lighting upgrades, energy-saving materials and the use of intelligent management technology. Sustainalytics views the

Framework's inclusion of a defined energy efficiency threshold on a portfolio basis for the installations of energy efficient systems, equipment, and technologies positively.

- For the Green Buildings category, NAVER intends to finance the new construction, upgrades and build outs of residential and commercial buildings that have received or are expected to receive third-party certifications, such as LEED Gold or above, Green Standard for Energy and Environmental Design (G-SEED) Green 2 or above, BREEAM Very Good certification or above.⁶ Sustainalytics recognizes these certifications as credible and the levels selected as aligned with market practice. Please refer to Appendix 1 for information on certification schemes.
- The Renewable Energy category may include investments related to the installation and procurement of renewable energy, such as solar, wind, geothermal at less than or equal to 100g CO₂ e/kWh, and associated energy solutions such as battery storage installations. In the event of financing the procurement of renewable energy, NAVER has confirmed that the Company may invest in medium- and long-term (> 5 years) power purchase agreements.
- Within the Circular Economy and Design category, NAVER intends to invest in the installation of recycling and waste collection systems in office buildings and data centers, and the research and development (R&D) of sustainable packaging materials.
 - Regarding R&D, NAVER has confirmed to Sustainalytics that intended packaging includes those made from bioplastic, recycled boxes made from waste, biodegradable packaging boxes or bags using resin or better-insulated packaging materials to avoid over-packaging for cold chain delivery. Sustainalytics encourages NAVER to provide further disclosure on the financed R&D projects, and the achieved net environmental positive impact in its annual reporting.
 - Regarding the installation of recycling and waste collection systems, NAVER has clarified that the Company intends to invest in recycling containers and bins made of recycled materials, which Sustainalytics views positively.
- Sustainalytics notes NAVER's eligibility criteria under the following social categories: (Please see Section 3: Impact Use of Proceeds for additional details).
 - Digital Literacy: Support for small and medium enterprises (SMEs),⁷ start-ups and creators⁸ who do not have access to essential digital technologies such as internet, e-commerce, e-payment systems and cloud services. Intended support include the provision of free educational programmes on digital technologies and the financing of waivers and deferrals that aim to support targeted groups through the provision of NAVER's platforms free of charge. Sustainalytics recognizes the importance of ensuring affordable access to digital platforms for targeted enterprises, and considers the category as impactful in the local context.
 - Covid-19 Response: Financing for SMEs, schools, entrepreneurs and creators who are affected by COVID-19. Intended project examples include the provision of free technical support such as work from home solutions, online classroom platforms for students and teachers, and the provision of other free digital solutions. NAVER has clarified that the Company targets enterprises whose revenue declined more than 20% compared to the end of 2019. As part of the same category, NAVER also intends to invest in the purchase and distribution of medical equipment, and health and safety and hygiene supplies. The Company confirmed that intended equipment and supplies will be accessible to all regardless of ability to pay, which Sustainalytics considers to be in line with market practice.
 - Support for SMEs/Start-Ups: Support for SMEs or startups owned by social minorities such as single mothers, women in career breaks, disabled persons, low-income

⁶ Sustainalytics recognizes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that score high enough in the energy category to fulfill the requirements for BREEAM Excellent in that category.

⁷ Categorized as an SME under the Enforcement Decree of The Framework Act on Small and Medium Enterprises. The Decree includes specific requirements for a company to qualify as SME. Are excluded enterprises employing 1,000 or more regular workers and enterprises whose total amount of asset is 500 billion won or more.

⁸ NAVER defines creator as those who use User Generated Content ("UGC") platforms such as blog, knowledge database, Webtoon, or NAVER TV, and create contents within the UGC ecosystem of NAVER. NAVER has confirmed that the Company follows definition of SMEs described above in determining the size and definition of creators.

- groups⁹ or those located in regions whereby the GDP is below the national average. Examples include funding participation in relevant start-ups and SMEs, and the provision of essential IT infrastructure, office space, consulting and marketing services free of charge.
- Employment of Women and Youths: Increasing access to employment for disadvantaged groups, particularly women and unemployed youth, through the provision of free training, education, essential equipment and IT infrastructure.
 - NAVER confirms the exclusion of any activities or businesses associated with fossil fuels, child/forced labour, palm oil, tobacco and weaponry under the Framework.
 - Project Evaluation and Selection:
 - NAVER has established a committee, called the Green Impact Group (“GIG”), comprising of members from various departments, including Cash Equivalent Management, Board of Directors Secretariat, Space Management, Internal Audit, Marketing, Risk Management Support, Win-win Growth and Legal. The GIG will be responsible for the identification and selection of projects under the Framework. The GIG will select and evaluate eligible projects that comply with the criteria of using proceeds under the Framework and environmental guidelines applicable to NAVER. The GIG will convene at least every 12 months, and the shortlisted projects will be presented to the board and the ESG Committee for final approval.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Proceeds will be tracked using a register and will be managed by the Finance department.
 - Pending full allocation, unallocated proceeds will be invested in short term deposits and other short term liquid instruments in accordance with NAVER’s liquidity guidelines.
 - Based on internal tracking systems and disclosure on the temporary allocation of proceeds Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - NAVER is committed to reporting on the allocation and impact of its proceeds annually until full allocation. Sustainable finance reporting will be made available on the Company’s website or annual report.
 - Allocation reporting may include the aggregated amount allocated to eligible projects, the share of the net proceeds or an amount equal to the net proceeds used for financing vs. refinancing, the balance of unallocated proceeds and details of each sustainable finance transaction (“SFT”) that is unallocated.
 - As part of its Impact reporting, NAVER will draw on several environmental and social impact metrics and will be reporting on the following: annual GHG emissions reduced or avoided, annual energy savings, annual energy generation, the capacity of renewable energy plants, waste prevented or minimized, green certificates used, EV charging ports installed, water recycled and reused and reduction in water usage. Social impact metrics will include, amongst other, number of SMEs financed, number of jobs created, number and type of disadvantaged communities helped, and number of start-ups supported.
 - Based on NAVER’s commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018 and Green Loan Principles 2020

Sustainalytics has determined that the NAVER Sustainable Finance Framework aligns to the four core components of the Green Bond Principles (2018), Green Loan Principles (2020) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

⁹ Defined as households with 50% or less of median income disclosed annually by the government.

Section 2: Sustainability Strategy of NAVER

Contribution of Framework to NAVER's sustainability strategy

NAVER has committed to bringing positive environmental and socio-economic impacts in South Korea through its business operations. In 2020, NAVER pledged its carbon neutrality plan by 2040 through the following three core strategies: (i) "Operational Excellence" which aims to improve data center Power Usage Effectiveness (PUE),¹⁰ renewable energy adoption and clean transportation use; (ii) "Future Green Product" which focuses on environmentally friendly packaging, and sustainable product solutions, and (iii) "Offset Partnership" which includes considerations on the decarbonization of technologies and businesses.¹¹

NAVER acknowledges the importance of minimizing its carbon footprint and reducing its operations' energy consumption, particularly by improving its data centers' energy performance. An example of the Company's efforts in this area would be data center Gak,¹² which achieved an average of 1.08 PUE as of mid-2020 and is certified by LEED Platinum.¹¹ Additionally, in 2019, solar photovoltaic power generation facilities at Gak have saved 217.1 MWh of energy consumption, reducing 101.1 tCO₂e of emissions.¹³ The Company also provides disclosure on its company-wide environmental performance on its sustainability report.¹¹ NAVER has reduced its data center's emissions by 47.6% (13,496 tCO₂e to 19,920 tCO₂e) between 2017 and 2019.¹³ In addition to its energy efficiency efforts, NAVER is committed to managing and responding to crucial ESG topics, including the usage of plastics. As such, the Company has strengthened domestic and international standards on GHG reduction and plastic packaging in 2020 and committed to promoting packaging made of 100% biodegradable resin.¹¹

In 2020, NAVER established an ESG Management System by setting an ESG Committee to integrate ESG aspects into its business decision-making.¹¹ To identify and prioritize material ESG issues, NAVER has conducted a materiality analysis in 2020. Based on the analysis, the Company plans to integrate ESG issues (climate change responses, circular economy, energy efficiency and clean energy, transparency and disclosure of ESG information) into its ESG strategy.¹¹

Furthermore, NAVER supports small businesses and creators¹⁴ through its platform Project Flower.¹⁵ The project aims to scale-up and connect small businesses and creators with customers or users online through NAVER's platforms (e.g. smart store), technologies and online/offline services.¹⁵ Moreover, NAVER has been supporting small business owners affected by the COVID-19 pandemic through online business training, including smart store preparation and product styling to support their digitization and continued operations.¹¹

Sustainalytics is of the opinion that the NAVER Sustainable Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

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

While NAVER's use of proceeds from the Framework are recognized as impactful by the GBP, SBP, and GLP, Sustainalytics acknowledges that the eligible projects may have potential environmental and social risks such as community relations, land-use change, waste management, biodiversity, and occupational health and safety issues associated with large-scale infrastructure development, and risks related to the Company's own operational energy use and GHG emissions. Additionally, the Company may be exposed to the risk of engaging with controversial businesses due to its social support programs. Sustainalytics is of the opinion that NAVER is able to manage and mitigate potential risks through the implementation of the following procedures and measures:

- NAVER complies with the *Environmental Impact Assessment Act*.¹⁶ In case the area of the building site is subject to an Environmental Impact Assessment (EIA), NAVER must conduct the EIA evaluating impacts on the land use, soil, environment-friendly resource circulation, and biodiversity of its construction project. Additionally, where required, the local authority governor shall publicly

¹⁰ Power Usage Effectiveness (PUE) defines the energy efficiency of a data center which is ideal when it is closer to 1.0.

¹¹ NAVER, "Sustainability Report", (2020), at: https://www.navercorp.com/naverCorp/_ir/sustainabilityReport/NAVER_2020_ESG_ENG.pdf

¹² This data center is the first one located in Chuncheon.

¹³ NAVER, "Green energy", (2020), at: <https://datacenter.naverCorp.com/green/green-energy>

¹⁴ NAVER's creator segments include digital comics, web fiction and audio book.

¹⁵ NAVER, "NAVER Project Flower", at: <https://www.naverCorp.com/en/value/projectFlower>

¹⁶ KLRI, "Environmental Impact Assessment Act", at: https://elaw.klri.re.kr/eng_service/lawView.do?hseq=45064&lang=ENG

share the draft EIA on the master plan for development and have a briefing session to hear residents' opinions.

- NAVER promotes the occupational safety for its employees and partners/suppliers through (i) annual health checkups of employees, (ii) regular discussion on safety and health agenda by an Industrial Safety and Health Committee, and (iii) implementing safety management provisions in the partner sustainable management implementation agreement.¹⁷
- As part of the Company's efforts in minimizing risks related to its operational energy use, NAVER annually discloses information on maintained/improved PUE and the use of renewable energy, aimed at meeting its 2040 carbon-neutral trajectory.¹¹ NAVER achieved an average of 1.08 PUE as of mid-2020, which is well below the global average of 1.67 (as of 2019).¹⁷
- NAVER has established its human rights protection/promotion policies based on the International Labour Organization (ILO) Conventions,¹⁸ UN's Universal Declaration of Human Rights¹⁹ and the UN's Guiding Principles on Business and Human Rights,²⁰ which the Company expects all employees and partners to comply with.
- In October 2020, NAVER strengthened sustainability considerations in its business agreements, particularly in the areas of human rights, safety, environment and ethics.¹¹ Furthermore, NAVER has confirmed that it will exclude any activity, assets or technology associated with fossil fuel, child/forced labour, palm oil, tobacco, and weaponry for its financing under the Framework. Additionally, NAVER strictly avoids engaging with businesses involved in forced and child labor.¹¹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NAVER has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by GBP, GLP and SBP. Sustainalytics has focused on five below where the impact is specifically relevant in the local context.

Energy efficiency, renewable energy, and green buildings in the context of South Korean data centers

Since most of the global Internet Protocol (IP) traffic goes through data centers, greater connectivity drives demand for data center services and electricity use.²¹ In 2019, global electricity demand from data centers was approximately 200 TWh, accounting for around 0.8% of global final electricity demand.²¹ Internet traffic has significantly grown by 30% annually along with rising data center workloads between 2010 and 2019.²¹ In particular, internet traffic rose by 40% between February and April in 2020 amid the Covid-19 containment measures, reaching a peak level, due to increased video streaming, video conferencing, online gaming and social networking.²¹ Following this trend, data centers are expected to have the fastest growth in carbon footprint among other ICT sectors.²² As of 2019, there are 158 data centers in Korea of which 29.7% (47 data centers) is self-use data centers aimed at providing IT services inside and outside the Company.²³ With the increased data usage and adoption of cloud services in Korea, more than twelve commercial data centers will be built by 2023.²⁴

Given rapidly increasing energy demand from data centers and data transmission networks, strong government and industry efforts on energy efficiency and renewable procurement are crucial to meet growing

¹⁷ Uptime Institute, "2019 Data Center Industry Survey", (2019), at: <https://uptimeinstitute.com/resources/asset/2019-data-center-industry-survey>

¹⁸ ILO, "Conventions and Recommendations", at: <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>

¹⁹ United Nations, "Universal Declaration of Human Rights", (1948), at: <https://www.un.org/en/universal-declaration-human-rights/>

²⁰ United Nations, "Guiding Principles on Business and Human Rights", (2011), at: https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

²¹ IEA, "Data Centres and Data Transmission Networks", (2020), at: <https://www.iea.org/reports/data-centres-and-data-transmission-networks>

²² MDPI, "Trends in Data Centre Energy Consumption under the European Code of Conduct for Data Centre Energy Efficiency", (2017), at: <http://www.mdpi.com/1996-1073/10/10/1470/pdf>

²³ Korea Data Center Council, "Korea Data Center Market 2020-2023", (2020), at: <https://www.digitalcentre.technology/wp-content/uploads/2020/06/KDCC-report.pdf>

²⁴ WFRI, "New Deal Infrastructure Industry Value Chain Review - Digital New Deal (available in Korean)", (2020), at: http://www.wfri.re.kr/home/sub01_01_view.php?no=4364&ss=page%3D%26sse%3D%26skind%3D%EB%89%B4%EB%94%9C+%EC%9D%B8%ED%94%84%EB%9D%BC%EC%82%B0%EC%97%85%26skind%3D%EB%89%B4%EB%94%9C+%EC%9D%B8%ED%94%84%EB%9D%BC%EC%82%B0%EC%97%85

energy demand and emissions from data centers in the coming decade.²¹ In July 2020, the Government of Korea announced a *Korean New Deal: National Strategy for a Great Transformation*, investing KRW 160 trn (USD 147 bn) to create 1.9 mn jobs by 2025 through two policy pillars: (i) *Digital New Deal* and (ii) *Green New Deal*.²⁵ Through the *Korean New Deal*, the Government aims to accelerate the transition towards a digital economy while building renewable energy infrastructures supporting energy saving and increased use of renewable energy.²⁵

Given that data centers are one of the most energy-intensive buildings,²⁶ Sustainalytics is of the opinion that NAVER's financing in energy efficiency, renewable energy and green building projects can reduce the environmental footprint associated with its operation from data centers, thereby facilitating its transition to decarbonization.

Importance of increasing access to quality technology for Korean SMEs

In 2018, SMEs accounted for 99.9% of Korean enterprises and 83.1% of employment in Korea²⁷. Considering that SMEs are the main drivers of job creation in Korea, the Government aims to shift the economic growth model from large enterprises to SMEs and start-ups.²⁸ However, labor productivity in Korea is lower than average productivity of other OECD members, while having the fastest population ageing in the OECD. Therefore, productivity is the key to Korean economic growth.²⁹ Given these circumstances, the Government strives to advance the economic growth model by facilitating the digitization of start-ups and high-growth small firms.²⁹ As part of the *Korean New Deal: National Strategy for a Great Transformation*, the Government aims to support online activities of microbusinesses and promote remote working for SMEs, expecting 120,000 and 9,000 job creations by 2025.²⁵ Specifically, the Government aims to help online activities of microbusinesses via smart technology (5G or AI) integrated into micro business workplaces to establish 100,000 smart stores, using self-service machines and other contactless ordering systems.²⁵

NAVER intends to finance SMEs owned by social minorities such as single mothers, women in career breaks, disabled persons, low-income groups or those located in regions with the GDP below the national average. Sustainalytics is of the opinion that NAVER's financing of SMEs is expected to increase their access to technology and develop digital capacity, thereby contributing to the national digitalization strategy targeted for SMEs.

Importance of responding to the COVID-19 crisis in South Korea

Since the COVID-19 outbreak, businesses and schools are forced to closure depending on the level of COVID-19 measures.³⁰ The tight pandemic measures have intensified the digital divide between people having strong and weak digital capabilities.³¹ While contactless digital technology is utilized throughout society, such technology has also accelerated the digital polarization among people, especially for the elderly and rural residents having difficulty using smartphones and the Internet and the contactless self-service machines.³¹ In particular, demand for digital care has been increased for the underprivileged elderly this year.³² To support them, the Government and companies in Korea have attempted to provide active digital care.³² For example, smart speakers distributed by the Company or city to the targeted elderly have relieved depression and supported emergencies during the lockdown.³²

As mentioned above, the Government of Korea considers digitalization an integral part of the *Korean New Deal: National Strategy for a Great Transformation*.²⁵ The Government aims to provide full coverage of high-speed classroom Wi-Fi to all elementary, middle and high schools across the country by 2022.²⁵ Additionally, the Government recognizes the importance of offering e-commerce and remote working tools for micro-businesses and SMEs to enable them to adapt to a changing business environment after the COVID-19 era, particularly for those who lack digital skills and access to digital technologies.²⁵

²⁵ Ministry of Economic and Finance, "The Korean New Deal: National Strategy for a Great Transformation", (2020), at: <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4948>

²⁶ EERE, "Data Centers and Servers", at: <https://www.energy.gov/eere/buildings/data-centers-and-servers>

²⁷ Ministry of SMEs and Startups, "Status of Korean SMEs", at: <https://www.mss.go.kr/site/eng/02/2020200000002019110610.jsp>

²⁸ OECD, "Enhancing Dynamism in SMEs and Entrepreneurship in Korea", (2018), at:

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2018\)58&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2018)58&docLanguage=En)

²⁹ OECD, "Digitalisation: an Enabling Force for the Next Production Revolution in Korea", (2017), at: <https://www.oecd-ilibrary.org/docserver/9789264285545-en.pdf?expires=1609920597&id=id&accname=guest&checksum=4A3B872D8D723DF4DADD29A5DB82086F>

³⁰ Ministry of Health and "Overview of Social Distancing (available in Korean)", at: <http://ncov.mohw.go.kr/socdisBoardView.do?brdId=6&brdGubun=1>

³¹ ChosunBiz, "Older people who are confused about 'the era of untact': The gap between the underprivileged and the region widens (available in Korean)", News article, (2020), at: https://biz.chosun.com/site/data/html_dir/2020/10/08/2020100803012.html

³² HANKYOREH, "COVID 19, the Paradox of the World...Digital Warm Up (available in Korean)", News article, (2020), at: https://biz.chosun.com/site/data/html_dir/2020/10/08/2020100803012.html

NAVER intends to finance SMEs, schools and other target populations affected by COVID-19 through its technical support and IT infrastructure services. Given the above, Sustainalytics believes that NAVER's financing could increase their digital capacity and close the IT infrastructure gaps among people, thereby delivering the positive socio-economic impacts in Korea.

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 SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Circular Economy and Design	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
COVID-19 Crisis Response	3. Good Health and Well-being	3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases
	8. Decent work and Economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Support for Start-ups and SMEs	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Employment of Women and Youth		

Conclusion

NAVER has developed the Naver Sustainable Finance Framework under which the Company intends to issue green, social and sustainability bonds and loans to finance and refinance projects under the categories of Energy Efficiency, Green Buildings, Renewable Energy, Sustainable Water Management, Circular Economy and Design, Clean Transportation, Digital Literacy, COVID-19 Crisis Response, Support for SMEs and Start-ups, and Employment of Women and Youth. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide environmental and social benefits such as improved energy efficiency and reduced GHG emissions of the Company's operations and relevant infrastructure while advancing the socio-economic development in South Korea.

The Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Sustainable Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceed categories will contribute to the advancement of the UN Sustainable Development Goals 3, 6, 7, 8, 11, and 12. Additionally, Sustainalytics is of the opinion that Naver has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Naver is well-positioned to issue sustainability bonds and that the Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the GBP, GLP and SBP.

Appendices

Appendix 1: Sustainalytics' Assessment of Certification Schemes

	LEED ³³	BREEAM ³⁴	G-SEED ³⁵
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	G-SEED (Green Standard for Energy and Environmental Design) is a green building certification standard used in Korea. First implemented in 2002, and later expanded in 2016, G-SEED is administered by the Korean Government in compliance with the Green Building Construction Support Act.
Certification levels	• Certified • Silver • Gold • Platinum	• Pass • Good • Very Good • Excellent • Outstanding	- Green 4 - Green 3 - Green 2 - Green 1
Areas of Assessment:	• Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water Efficiency • Indoor Environmental Quality • Innovation in Design • Regional Priority	• Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation	• Land Use & Transportation • Energy & Environmental Pollution • Materials & Resources • Water Management • Maintenance • Ecology • Indoor Environment • Innovative Design
Requirements	Prerequisites (independent of level of certification) and credits with associated points. These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific	Prerequisites depending on the levels of certification and credits with associated points This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply	Prerequisites (independent of level of certification) + Credits with associated points Individual credits are achieved in a number of categories, category scores are then weighted to achieve an overall grade.

³³ USGBC, LEED: <https://www.usgbc.org/leed>

³⁴ BREEAM: <https://www.breeam.com/>

³⁵ G-SEED: <http://www.gseed.or.kr/siteMain.do>

	sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	
Performance Display			
Accreditation	LEED AP BD+C LEED AP O+M	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor	Certification Bodies, appointed by the Ministry of Environment (MOE) and the Ministry of Land, Infrastructure and Transportation (MLIT) review and certify projects.
Qualitative Considerations	Widely recognized internationally, and strong assurance of overall quality.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. Minimum standards less strict than LEED.	Widely used in Korea, and aligned with government standards. Strong overall qualifications. Little international recognition.

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

Section 1. Basic Information

Issuer name:	NAVER Corporation
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	NAVER Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 29, 2021

Publication date of review publication: January 29, 2021

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 GBP and SBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ 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*)

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 categories for the use of proceeds – Energy Efficiency, Green Buildings, Renewable Energy, Sustainable Water Management, Circular Economy and Design, Clean Transportation, Digital Literacy, COVID-19 Crisis Response, Support for SMEs and Start-ups, and Employment of Women and Youth – are aligned with those recognized by the Sustainability Bond Guidelines 2018 and Green Loan Principles 2020. Sustainalytics considers that the eligible categories will provide environmental and social benefits such as improved energy efficiency and reduced GHG emissions of the Company's operations and relevant infrastructure while advancing the socio-economic development in South Korea. The Use of Proceeds are aligned with the UN Sustainable Development Goals (SDGs), specifically SDGs 3, 6, 7, 8, 11, 12.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |

- | | |
|--|--|
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☒ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☒ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☐ Other (please specify): |

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

Use of proceeds categories as per SBP:

- | | |
|---|---|
| ☐ Affordable basic infrastructure | ☐ Access to essential services |
| ☐ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☐ Socio-economic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☒ Other (please specify): Digital Literacy, COVID-19 Crisis Response; Employment of Women and Youth |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

NAVER has established an internal committee, the Green Impact Group ("GIG"), with representatives from different departments, including Cash Equivalent Management, Board of Directors Secretariat, Space Management, Internal Audit, Marketing, Risk Management Support, Win-win Growth and Legal, to evaluate and select projects for final approval by the board and ESG Committee. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|--|
| ☒ Credentials on the issuer's social and green objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | ☐ Documented process to identify and manage potential ESG risks associated with the project |

- ☐ Summary criteria for project evaluation and selection publicly available ☐ Other (please specify):

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

NAVER's processes for management of proceeds is through an internal tracking register managed by the Finance department. The register will contain information regarding the type of funding transaction, key information and description of the allocation of the use of proceeds. Pending full allocation, unallocated proceeds will be invested in short term deposits or other short term liquid instruments in line with NAVER's liquidity guidelines. This is in line with market practice.

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:

- ☐ Allocations to future investments only ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements ☒ Allocation to a portfolio of disbursements
- ☒ Disclosure of portfolio balance of unallocated proceeds ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

NAVER Corporation intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include; (i) details of each transaction that is outstanding (ii) proceeds from each transaction that has been allocated to Eligible Projects (iii) share of financing and/or refinancing, (iv) balance of each transaction that is unallocated, and (v) examples of Eligible Projects, subject to confidentiality disclosures. In addition, NAVER is committed to reporting on relevant impact metrics. Sustainalytics views NAVER's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

- | | |
|---|---|
| ☒ Allocated amounts | ☐ Sustainability Bond financed share of total investment |
| ☐ Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (please specify): | |

Impact reporting:

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

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☒ Decrease in water use | ☒ Number of beneficiaries |
| ☐ Target populations | ☒ Other ESG indicators (please specify): Trailing 12-month PUE, Number and type of certification of green buildings, Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy, Capacity of renewable energy plant(s) constructed or rehabilitated in MW, Waste prevented, minimized or reused (tons), Green-certified products used (#), EV charging ports installed (#), EV purchased (#), Amount deployed to provide educational programs for digital transformation and essential digital technologies, Amount deployed to provide technical support, Amount of medical equipment and health, safety and hygiene supplies purchased, Number of jobs created (#), Amount deployed to provide training and technical supports |

Frequency:

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

Means of Disclosure

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

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

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- ☐ Consultancy (incl. 2nd opinion)
 ☐ Certification
☐ Verification / Audit
 ☐ Rating
☐ Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognized external sustainability standard or label. A standard or label defines

specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

