



WHEN TRUST MATTERS



KOREA WESTERN POWER CO., LTD. GREEN AND SUSTAINABILITY FINANCING FRAMEWORK



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This statement is valid until the Framework provided in June 2022 remains unchanged.

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Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.dnv.com)

DNV'S INDEPENDENT ASSESSMENT

Scope and Objectives

Korea Western Power Co., Ltd.² ("KOWEPO" or the "Company") is one of six subsidiaries for power generation separated from the Korea Electric Power Corporation ("KEPCO") in 2001 in accordance with the Act on the Promotion of Restructuring of the Electric Power Industry of the Korean Government. Engaged in the development and generation businesses of electric power resources, KOWEPO's generation capacity is 8.5% of the entire domestic generation capacity, with 11,441MW of installed capacity (as of end of 2021).

Placing sustainable development at its core of operation, KOWEPO has established the 'KOWEPO Vision 2035' which specifies its vision of "the global leader in eco-friendly energy opening a new era". The Vision sets out three strategic directions which covers its commitment to not only responding to environmental issues but also promoting socio economic advancement: 1) Lead eco-friendly & low-carbon energy industry, 2) Aim for sustainable growth based on financial stability and 3) Create public values focused on people's trust.

With regard to its environment target, KOWEPO has established a 2050 Net-Zero Roadmap in 2022 by setting carbon reduction targets for 2030 and 2050. KOWEPO seeks to reduce carbon emissions by 44% in 2030, and 100% by 2050, compared to 2018 emission levels. In alignment with this target, the production portion of electricity from the Company's three main renewable energy sources (solar power, wind power, and fuel cell) will increase from 50% in 2021 to 91% in 2035.

KOWEPO also intends to actively fulfil its social responsibilities and strive to not only create high-quality jobs, but also to expand mutual growth and enable sustainable development of local communities. KOWEPO tries to create decent jobs by establishing a job-oriented management system based on government policies, stakeholders' needs, and CEO's management philosophy. Furthermore, KOWEPO creates a healthy power-generation industry ecosystem by faithfully implementing the mutual growth strategy system and enhances global competitiveness through localization of power-generation devices. For mutual growth, KOWEPO is also committed to supporting SMEs by helping them advance technology and supporting them to enter global market in an easier and faster way.

DNV Business Assurance Korea Ltd. ("DNV")³ has been commissioned by KOWEPO to review the KOWEPO's Green and Sustainability Financing Framework and provide a Second Party Opinion on the Framework in relation to alignment with Green Bond Principles 2021 (GBP)⁴, Sustainability Bond Guidelines 2021 ("SBG")⁵, Green Loan Principles 2021 (GLP)⁶ and Social Loan Principles 2021 (SLP)⁷.

No assurance is provided regarding the financial performance of instruments issued via the KOWEPO's Framework, the value of any investments, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of KOWEPO and DNV

KOWEPO has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform KOWEPO and other interested stakeholders in the Framework as to whether the Framework is aligned with the GBP, SBP, and SBG. In our work we have relied on the information and the facts presented to us by KOWEPO. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by KOWEPO and used as a basis for this assessment were not correct or complete.

² <https://www.iwest.co.kr/eng/index.do>

³ <https://www.dnv.co.kr/>

⁴ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁵ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁶ [https://www.lsta.org/content/green-loan-principles/#:~:text=The%20Green%20Loan%20Principles%20\(GLP,of%20the%20green%20loan%20product.](https://www.lsta.org/content/green-loan-principles/#:~:text=The%20Green%20Loan%20Principles%20(GLP,of%20the%20green%20loan%20product.)

⁷ <https://www.lsta.org/content/social-loan-principles-slp/>

Basis of DNV's opinion

We have adapted our assessment methodology to create the KOWEPO-specific Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four core components:

1. Use of Proceeds

The Use of Proceeds criteria are guided by the requirement that an issuer of a bond/loan must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental and social benefits.

2. Process for Project Evaluation and Selection

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a bond/loan should outline the process it follows when determining eligibility of an investment using Green or Sustainability Bond/Loan proceeds, and outline any impact objectives it will consider.

3. Management of Proceeds

The Management of Proceeds criteria are guided by the requirements that a bond/loan should be tracked within the organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled.

4. Reporting

The Reporting criteria are guided by the recommendation that at least annual reporting should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by KOWEPO in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the Framework, as described above and in Schedule 3 to this Assessment;
- Assessment of documentary evidence provided by KOWEPO on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials by KOWEPO and KOWEPO's website;
- Discussions with KOWEPO and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

DNV's findings are listed below:

1. Use of Proceeds

KOWEPO ensures that all of the net proceeds of KOWEPO's Sustainable Financing Instruments will be used to finance and/or refinance, in whole or in part, new and/or existing Eligible Green and/or Social projects ("Eligible Projects") falling within one of the eligible project categories as defined below.

Eligible Green Project Categories

- Renewable Energy
- Eco-friendly Hydrogen
- Energy Efficiency

Eligible Social Project Categories

- Socio Economic Advancement and Empowerment
- Small-Medium Enterprise (SME) Support

DNV undertook an analysis of the associated project type to determine the eligibility as "Socially Beneficial" and "Green" in line with the GBP, SBP, SBG, GLP, and SLP 2021. KOWEPO has provided tables mapping its Eligible Green and Social Categories with the United Nations Sustainable Development Goals ("UN SDGs"). The outlined types of project within each category and associated selection criteria are provided in the Framework in order to determine eligibility. KOWEPO has also stated exclusion criteria in the Framework.

DNV concludes that the eligible categories outlined in the Framework are consistent with the categories outlined in the GBP, SBP, SBG, GLP, and SLP 2021.

2. Process for Project Evaluation and Selection

The Framework states that the Eligible Projects are assessed and identified using KOWEPO's eligibility criteria in the Framework. It also stresses that only projects that meet one of the eligibility criteria may benefit from the Sustainable Financing Instruments. In order to ensure that process for project selection and evaluation is observed in an appropriate manner, KOWEPO has established a Sustainability Working Group ("SWG") to oversee the selection of Eligible Projects and their compliance with the eligibility criteria described in the Framework.

DNV concludes that KOWEPO's Framework appropriately describes the process of project evaluation and selection.

3. Management of Proceeds

The Framework states that proceeds will be deposited in KOWEPO's general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Projects as selected by the SWG. The Budget and Financing Office will also track internally, with the use of a register to make sure that proceeds raised from the Sustainable Financing Instruments will be allocated to Eligible Projects. The Company also set the look-back period of three years.

DNV views that the proceeds arising from the future issuances will be appropriately managed.

4. Reporting

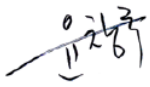
KOWEPO intends to publish a report on the use of proceeds on an annual basis until full allocation of the Sustainable Financing Instruments. The Company also intends to report on environmental and social impacts of the Eligible Projects, and in the Framework, it presents relevant quantifiable indicators in alignment with characteristics of potential projects.

DNV concludes that KOWEPO's reporting will be made in an appropriate manner.

On the basis of the information provided by KOWEPO and the work undertaken, it is DNV's opinion that the KOWEPO's Green and Sustainability Financing Framework meets the criteria established in the Protocol and are aligned with the GBP, SBP, SBG, GLP, and SLP 2021. Please refer to Schedule 4. Sustainability Bond/Sustainability Bond Programme External Review Form for detailed information.

for DNV Business Assurance Korea Ltd.

Seoul, Republic of Korea, 8 June 2022



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Schedule 1. Description of Categories to be financed or refinanced through KOWEPO Green and Sustainability Financing Framework

Green Category

Green Categories	Eligible Criteria	DNV Findings
Renewable Energy	<ul style="list-style-type: none"> Acquisition, construction, installation, deployment, operation, research, development, maintenance and upgrade of facilities, equipment, infrastructure or technologies related to renewable energy including: <ul style="list-style-type: none"> Solar; Wind (onshore and offshore); Biomass (life-cycle GHG emission intensity below 100g CO₂e/kWh and using sustainable feedstock⁸); Geothermal (life-cycle GHG emission intensity below 100g CO₂e/kWh); Run-of-river hydropower (no artificial reservoir) or hydropower (power density of electricity generation facilities > 5 W/m² or life-cycle GHG emissions threshold < 100gCO₂e/kWh); and Tidal and wave power 	<p>According to Tracking Power 2021 published by IEA⁹, emissions from the power sector (from both electricity and heat production) accounts for 40% of energy-related CO₂ emissions. While the reports views positively that emissions from the power sector declined almost 3% in 2020 due mainly to reduced electricity consumption during the COVID-19 pandemic and increased share of renewable energy sources (29% out of total power generation), it also highlights that current trend is not on track with the Net Zero Emissions by 2050 Scenario, which requires that power sector emissions fall an average 7.6% per year to 2030.</p> <p>Republic of Korea, envisaging a Net-Zero by 2050, announced the upgraded nationally determined contributions (NDCs) target in October 2021, committing to reduce GHG emissions by at least 40% by 2030 from their peak in 2018. In line with this commitment, Korean Government intends to increase portion of renewable energy to 30.2% by 2030 compared to the level of 2018¹⁰.</p> <p>For fulfilment of the Korean Government's commitment, power generation sector which accounts for significant portion of emission is needed to adopt more proactive approach for reducing GHG. In this respect, the Company has re-established the 'Carbon Management Master Plan for New Climate Regime' and raised the target of emission-reduction from 33% to 35% by 2030 (compared to 2030 BAU). KOWEPO's initiative of "Renewable Energy 3535" also supports to fulfil this target by intending to increase portion of new and renewable energy of total power generation from 8% in 2021 to 35% in 2035.</p> <ul style="list-style-type: none"> Solar, wind, tidal and wave power are deemed as green energy source according to the EU Taxonomy. As for biomass and geothermal energy, KOWEPO intends to restrict projects within the life-cycle GHG emission intensity below 100g CO₂e/kWh which makes projects aligned with technical screening criteria of the EU Taxonomy. As for hydropower, KOWEPO also strengthens green eligibility of projects by making projects comply with relevant technical screening criteria of the EU Taxonomy.
Eco-friendly Hydrogen	<ul style="list-style-type: none"> Production of hydrogen of which the life-cycle GHG emission intensity is below 3tCO₂e/tH₂, 	<p>Hydrogen is a clean energy source that, when burned, produces only water. However creating hydrogen can result in high GHG emission. Among several ways of manufacturing hydrogen, DNV notes green hydrogen</p>

⁸ Sustainable feedstock refers to the feedstock that is not derived from sources of high biodiversity, not competing with food sources and not depleting carbon pools. The only timber feedstock allowed is waste wood

⁹ <https://www.iea.org/reports/tracking-power-2021>

¹⁰ (Korean only)

<https://me.go.kr/home/web/board/read.do?pagerOffset=0&maxPageItems=10&maxIndexPages=10&searchKey=&searchValue=&menuId=286&orgCd=&boardId=1482140&boardMasterId=1&boardCategoryId=&decorator=>

Green Categories	Eligible Criteria	DNV Findings
	<p>including:</p> <ul style="list-style-type: none"> - Green Hydrogen (using the water electrolysis technology); - Bio-hydrogen (using thermococcus onnurineus – biomass in ocean); - Hydrogen production using plastic waste 	<p>which uses electrolysis is the preferred green activity because power used for electrolysis are supposed to come from renewable sources (i.e., solar or wind), and only oxygen with no negative impact is vented to the atmosphere during the manufacturing process. However this technology is not widely accepted in the market due to high manufacturing cost. In this respect, along with producing green hydrogen, the Company intends to invest bio-hydrogen and plastic waste used hydrogen production.</p> <p>KOWEPO applies the threshold of 3tCO₂e/tH₂ (life-cycle emissions) in the process of manufacturing hydrogen for three potential projects for making the projects aligned with technical screening criteria of the EU Taxonomy. It is DNV's viewpoint that this measure helps to strengthen green eligibility for all these projects.</p> <ul style="list-style-type: none"> • DNV in particular considers that hydrogen production from plastic waste can contribute to promoting circular economy by converting plastic waste into energy resource without the need for using virgin resources, thus leading to better environmental outcome than incinerating or landfilling the waste. The Company is also committed to observing waste hierarchy that reuse and recycling of plastics are always preferred over waste-to-energy.
Energy Efficiency	<ul style="list-style-type: none"> • Acquisition, installation, maintenance and upgrade of the energy efficient equipment or facilities including: <ul style="list-style-type: none"> - Buildings and facilities with energy efficiency solutions (e.g. LED lighting, smart metering, roof / wall / floor insulation, high efficiency boilers). Such project shall achieve at least 20% improvement in the energy efficiency • Research, development, acquisition, construction, maintenance and upgrade of Energy Storage Systems ("ESS") fully dedicated to serving renewable energy generation facilities 	<ul style="list-style-type: none"> • DNV considers that building and facilities with energy efficient solutions such as LED lighting, smart metering, insulation of roof/wall/ floor, and highly efficient boilers are generally conducive for promoting energy efficiency. • In particular DNV views it favourably for KOWEPO to apply the threshold of 20% of energy efficiency for acquisition, installation, maintenance and upgrade of equipment or facilities, which helps to enable the Company to effectively keep track of the performance based upon this quantitative target. • Energy Storage Systems (ESS) is an essential part for renewable energy sources considering that as supply from renewable sources (solar, wind, and so on) can vary depending upon weather situation, stable energy provision is difficult. ESS ensures that supply of renewable energy can meet its demand by enabling extra energy to be stored and be used during peak demand. In this respect, DNV views that the Company's ESS project which will be fully dedicated to serving renewable energy generation facilities will help more efficient use of renewable energy.

Social Category

Social Categories	Eligible Criteria	DNV Findings
Socio Economic Advancement and	<ul style="list-style-type: none"> • Support the disadvantaged groups including the high school graduates, the 	<ul style="list-style-type: none"> • DNV views that the programme for the disadvantaged groups will bring socio economic advancement and

Empowerment	<p>disabled, the elderly¹¹ and the back-to-work women returners to promote employability¹²</p> <ul style="list-style-type: none"> - Provide leadership training for women (e.g. KOWEPO's Female Leadership Training program) to foster greater gender diversity and create opportunities in management positions training and innovative job creation in rural areas¹³ • Support the development of rural communities (e.g. agriculture and fishery)¹⁴ as defined under Korean Government's "Agricultural-Fishery Win-Win Cooperative Fund" and people living under poverty¹⁵ 	<p>empowerment.</p> <ul style="list-style-type: none"> - DNV particularly views positively that KOWEPO intends to provide leadership training for women. Gender inequality has become one of main social issues in Korea. According to World Economic Forum, its Gender Gap Index (GGI)¹⁶ ranks 102nd among 156 countries and according to Ministry of Gender Equality and Family in Korea, women's employment rate (age 15-64) in Korea is only 57.7% while that of men is 75.2%. Against this backdrop, it is DNV's viewpoint that the Company's training programme will be conducive for bridging the gender gap in Korea. - DNV also views that greenhouse gas supporters initiative (including relevant trainings) which the Company considers as potential projects is conducive for creating jobs for the elderly in rural areas¹⁷. • Pursuant to Korean Government's initiative of Agricultural-Fishery Win-Win Cooperative Fund, the relevant projects are designed to promote development of remote areas (including rural areas). In line with the Government's intended purpose of this Fund, DNV views the projects will bring positive social outcomes for people in remote areas.
Small-Medium Enterprise (SME) Support	<ul style="list-style-type: none"> • Finance SMEs¹⁸ (R&D, financial support and shared growth projects) to promote employment and economic growth 	<p>KOWEPO has established a mutual growth strategy system to strengthen SMEs' independence and to support their global market entry, thereby fostering mutual growing environment. DNV notes the positive benefits for SMEs which these programmes (R&D, financial support and shared growth projects) will bring. DNV also views that the related programmes are in alignment with the SDG 8.3 which highlights supporting creativity and innovation for as well as encouraging growth of SMEs.</p>

¹¹ As defined as individuals who are 60 years old or above.

¹² Promoting employability can include groups such as the underprivileged, specialized high school students or farmers and fishermen

¹³ Examples of a programmes KOWEPO worked on is the Greenhouse Gas Reduction Supporters initiative in which a training course for 'Agriculture-specific Greenhouse Gas Reduction project managers' and the KOWEPO agreement with the Foundation of Agri. Tech. Commercialization & Transfer (FACT) to cooperate in creating innovative jobs in rural villages

¹⁴ Pursuant to the government's project 'Agricultural-Fishery Win-Win Cooperative Fund' - The Fund has become effective since 2017 after three relevant laws for promoting mutual growth were passed in Korea's National Assembly.

¹⁵ As defined by National Basic Living Security Act Article 7 and/or other relevant official definitions by the South Korean government entities.

¹⁶ The Global Gender Gap Index benchmarks the evolution of gender-based gaps among four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment) and tracks progress towards closing these gaps over time.
https://www3.weforum.org/docs/WEF_GGGR_2021.pdf

¹⁷ KOWEPO Sustainability Report 2020, p35, [https://www.iwest.co.kr/sites/eng/files/2020SR\(eng\).pdf](https://www.iwest.co.kr/sites/eng/files/2020SR(eng).pdf)

¹⁸ KOWEPO has supported SMEs (incl. small enterprises with less than 5 employees) located also in rural economies through 1 year loans (rollable) with a very low interest rate. SME support also includes the financing of SMEs' facilities and operations in the recycling sector

Schedule 2. Contributions to UN SDGs

Eligible Project Categories	UN SDGs	DNV Findings
Renewable Energy	SDG 7 Affordable and Clean Energy <ul style="list-style-type: none"> 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 	DNV is of the opinion that eligible categories outlined in the Framework contribute to the achievement of the UN SDGs.
Eco-friendly Hydrogen	SDG 7 Affordable and Clean Energy <ul style="list-style-type: none"> 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 	
Energy Efficiency	SDG 7 Affordable and Clean Energy <ul style="list-style-type: none"> 7.3 By 2030, double the global rate of improvement in energy efficiency 	
Small-Medium Enterprise (SME) Support	SDG 8 Decent Work and Economic Growth <ul style="list-style-type: none"> 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 	
Socio Economic Advancement and Empowerment	SDG 8 Decent Work and Economic Growth <ul style="list-style-type: none"> 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. 	

Schedule 3. Eligibility Assessment Protocol

1. Use of Proceeds

Ref.	Criteria	Requirements	DNV Findings				
1a	Type of bond / loan	<p>The Bond and Loan must fall in one of the following categories, as defined by GBP, SBG, GLP, and SLP:</p> <ul style="list-style-type: none">• Green/Social Use of Proceeds Bond• Green/Social Use of Proceeds Revenue Bond• Green/Social Project Bond• Green/Social Securitized Bond• Loan instrument made available for Green and Social project (Green and Social use of loan proceeds)	<p>KOWEPO’s Green and Sustainability Financing Framework clearly describes it will govern the issuance of the debt instruments such as green bonds or loans, and sustainability bonds or loans.</p> <p>From the Framework <i>This Framework governs the issuance of the following debt instruments by KOWEPO:</i></p> <ul style="list-style-type: none">• <i>Green Bonds or Loans to finance and/or to refinance eligible green projects;</i>• <i>Sustainability Bonds or Loans to finance and/or to refinance a mix of eligible green projects and eligible social projects</i>				
1b	Sustainable Project Categories	<p>The cornerstones of Green or Sustainability Bond/Loan are the utilization of the proceeds of the bond and the loan which should be appropriately described in the legal documentation for the security.</p>	<p>Eligible project categories presented by KOWEPO are as follows:</p> <table><tr><th>Green Categories</th><th>Social Categories</th></tr><tr><td><ul style="list-style-type: none">• Renewable Energy• Eco-friendly Hydrogen• Energy Efficiency</td><td><ul style="list-style-type: none">• Socio economic advancement and empowerment• Small-Medium Enterprise (SME) Support</td></tr></table> <p>The Framework also strengthens eligibility criteria of projects by adding the exclusion list in the Framework.</p> <p>From the Framework</p> <ul style="list-style-type: none">• <i>Nuclear energy technology, equipment or infrastructure;</i>• <i>Fossil-fuel based electricity production;</i>• <i>Extraction, refining or transportation of fossil fuels;</i>• <i>Production or refining of palm oil;</i>• <i>SME with main business falling into IFC Exclusion List¹⁹ ; and</i>• <i>Sectors which are prohibited by laws and regulation in Korea</i>	Green Categories	Social Categories	<ul style="list-style-type: none">• Renewable Energy• Eco-friendly Hydrogen• Energy Efficiency	<ul style="list-style-type: none">• Socio economic advancement and empowerment• Small-Medium Enterprise (SME) Support
Green Categories	Social Categories						
<ul style="list-style-type: none">• Renewable Energy• Eco-friendly Hydrogen• Energy Efficiency	<ul style="list-style-type: none">• Socio economic advancement and empowerment• Small-Medium Enterprise (SME) Support						
1c	Environmental benefits	<p>All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.</p>	<p>KOWEPO intends to select projects which are environmentally beneficial by applying the appropriate thresholds from international or national standards. It also presents quantitative indicators in the reporting section in order to track environmental outcome in an effective manner.</p>				

¹⁹ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

Ref.	Criteria	Requirements	DNV Findings
1c	Social Benefits	All designated Social Project categories should provide clear social benefits, which, where feasible, will be quantified or assessed by the Issuer.	KOWEPO intends to select projects which are socially beneficial by adopting the appropriate criteria. It also presents quantitative indicators in the reporting section in order to track social outcome in an effective manner.
1d	Refinancing Share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	<p>The look-back period for refinancing eligible projects is 36 months. In addition, the portion of financing and refinancing will be disclosed in the annual allocation reporting.</p> <p>From the Framework</p> <p><i>The list of Eligible Projects will be managed by KOWEPO's Budget and Financing Office. The look-back period for refinancing Eligible Projects is 36 months.</i></p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV Findings
2a	Investment-decision process	<p>The Issuer of Green or Sustainability Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using Green or Sustainability Bond/Loan proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> A process to determine how the projects fit within the eligible Green and Social Projects categories identified in the GBP, SBG, GLP, and SLP; The criteria making the projects eligible for using the Green or Sustainability Bond /Loan proceeds; The environmental sustainability objectives, and the social objectives; and Complementary information on process by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project 	<p>According to the Framework, KOWEPO will ensure a Sustainable Working Group (SWG) oversee the selection of eligible projects and their compliance with the eligibility criteria described in the Framework.</p> <p>From the Framework</p> <p><i>KOWEPO has established a dedicated Sustainability Working Group ("SWG") which implicate the following teams/departments across KOWEPO to oversee the selection of Eligible Projects, their compliance with the eligibility criteria described in the Framework and to ensure that allocations are made to Eligible Projects as specified above:</i></p> <ul style="list-style-type: none"> <i>Planning and Control Office;</i> <i>Budget and Financing Office;</i> <i>New and Renewable Energy Management Team;</i> <i>Research and Development Team;</i> <i>Carbon Neutrality Strategy Team;</i> <i>Overseas Business Management Team; and</i> <i>Other functional teams/departments (as required).</i>
2b	Issuer/borrower's environmental and	In addition to information disclosed by an issuer on its Green or Sustainability Bond/Loan process, criteria and	KOWEPO's website describes its sustainability efforts in the field of environment, society, and governance, particularly through the website in Korean.

Ref.	Criteria	Requirements	DNV Findings
	social and governance framework	assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental and social sustainability.	<p>Korean: https://www.iwest.co.kr/sites/iwest/index.do</p> <p>English: https://www.iwest.co.kr/eng/841/subview.do</p> <p>Its annually published Sustainability Report also includes various performance indicators in relation to environmental and social impacts.</p> <p>Furthermore, the Framework underscores its effort for sustainable development by describing its ISO 14001 based environmental management and ISO 45001 based occupational safety and health management.</p>

3. Management of Proceeds

Ref.	Criteria	Requirements	DNV Findings
3a	Tracking procedure	The net proceeds Green or Sustainability Bond/Loan should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process that will be linked to the Issuer's lending and investment operations for Green/Social Projects.	<p>The evidence reviewed shows how KOWEPO plans to track the allocation of the proceeds in an appropriate manner. KOWEPO ensures that the net proceeds of each KOWEPO's Sustainable Financing Instrument issuances will be deposited in KOWEPO's general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Projects as selected by the SWG.</p> <p>From the Framework</p> <p><i>The net proceeds of each KOWEPO's Sustainable Financing Instrument issuances will be deposited in KOWEPO's general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Projects as selected by the SWG. The payment of principal and interest on any financing issued by KOWEPO under this Framework will be made from our general funds and will not be linked to the performance of any Eligible Projects.</i></p>
3b	Tracking procedure	So long as the Green or Sustainability Bond/Loan is outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>The Framework describes that KOWEPO's Budget and Financing Office will track internally with the use of a register. The register will include the appropriate information such as allocated or unallocated amount of proceeds.</p> <p>From the Framework</p> <p><i>The Budget and Financing Office will track internally with the use of a register to make sure that proceeds raised from the KOWEPO's Sustainable Financing Instruments to be allocated to Eligible Projects. The register will include the below proceed allocation information:</i></p> <ul style="list-style-type: none"> • Name and description of Eligible Projects to which the proceeds have been allocated • Allocated amount of the proceeds of the KOWEPO's Sustainable Financing Instruments to Eligible Projects • The balance of unallocated proceeds • Information of temporary investment for unallocated proceeds (if applicable) • Other relevant information

Ref.	Criteria	Requirements	DNV Findings
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the Issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>The Framework clearly states that the unallocated net proceeds may be temporarily invested in cash, cash equivalents, and short-term money market instruments.</p> <p>From the Framework <i>Pending the allocation or reallocation, as the case may be, of the net proceeds, KOWEPO will invest the balance of the unallocated net proceeds, at its own discretion, temporarily in cash, cash equivalents, and short-term money market instruments, as per KOWEPO's liquidity management policy.</i></p>

4. Reporting

Ref.	Criteria	Requirements	DNV Findings						
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green or Sustainability Bond/Loan proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations -a brief description of the projects and the amounts disbursed, as well as the expected environmentally and social sustainable impact.	<p>The framework states that the reporting will include allocation reporting and impact reporting, which will be published annually and will be publicly available on KOWEPO website.</p> <div><p>From the Framework</p><p><i>Within one year of the Green or Sustainability Bond issuance, and until full allocation of the proceeds, KOWEPO will disclose publicly the information of allocation reporting and impact reporting on an annual basis in the annual Sustainability Report or in a standalone Green or Sustainability Bond Report. Upon material changes of projects allocated and a replacement has been made, KOWEPO will also update investors via an allocation update report. These reports will be publicly available on KOWEPOs’ website.</i></p><p><u>Allocation reporting</u></p><ul style="list-style-type: none">• <i>The list of Eligible Projects, including brief project descriptions (subject to confidentiality agreements);</i>• <i>The aggregated amount of allocated proceeds to the Eligible Projects per Eligible Green or Social Category;</i>• <i>Remaining balance of unallocated proceeds</i>• <i>Allocated amount vs. total amount (in %)</i>• <i>The proportion of proceeds allocated to financing and/or refinancing</i></div> <p>DNV also views that quantitative indicators regarding green and social impacts function as effective means in managing the performance results of the projects.</p> <table><tr><th>Eligible Green Categories</th><th>Potential Impact Indicators</th></tr><tr><td>Renewable Energy</td><td><ul style="list-style-type: none">• Installed renewable energy capacity (in MW)• Annual GHG emissions avoided (in tons of CO2e)• Annual renewable energy production (in MWh)</td></tr><tr><td>Eco-friendly Hydrogen</td><td><ul style="list-style-type: none">• Annual GHG emissions avoided (in tons of CO2e)• Annual green hydrogen</td></tr></table>	Eligible Green Categories	Potential Impact Indicators	Renewable Energy	<ul style="list-style-type: none">• Installed renewable energy capacity (in MW)• Annual GHG emissions avoided (in tons of CO2e)• Annual renewable energy production (in MWh)	Eco-friendly Hydrogen	<ul style="list-style-type: none">• Annual GHG emissions avoided (in tons of CO2e)• Annual green hydrogen
Eligible Green Categories	Potential Impact Indicators								
Renewable Energy	<ul style="list-style-type: none">• Installed renewable energy capacity (in MW)• Annual GHG emissions avoided (in tons of CO2e)• Annual renewable energy production (in MWh)								
Eco-friendly Hydrogen	<ul style="list-style-type: none">• Annual GHG emissions avoided (in tons of CO2e)• Annual green hydrogen								

				production (in tons of H2)	
			Energy Efficiency	<ul style="list-style-type: none"> • Energy efficiency improved post-project (in %) • Annual energy savings (in MWh) • Energy storage capacity (in MW) 	
			Eligible Social Categories	Potential Impact Indicators	
			Socio economic advancement and empowerment	<ul style="list-style-type: none"> • Number of beneficiaries supported • Amount of social contribution spent and others 	
			Small-Medium Enterprise (SME) Support	<ul style="list-style-type: none"> • Number of SME loans granted • Number of jobs created / maintained • Number and types of beneficiaries supported 	

Schedule 4. Green or Sustainability Bond / Green or Sustainability Loan Programme External Review Form

Section 1. Basic Information

Issuer name:

Korea Western Power Co., Ltd. (KOWEPO)

Green and Sustainability Financing ISIN or Issuer Green and Sustainability Financing Framework Name, if applicable:

KOWEPO Green and Sustainability Financing Framework, June 2022

Independent External Review provider's name:

DNV Business Assurance Korea Ltd.

Completion date of this form:

8 June 2022

Publication date of review publication:

8 June 2022

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:

- | | |
|--|--|
| <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 INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

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)

On the basis of the information provided by KOWEPO and the work undertaken, it is DNV's opinion that the KOWEPO's Green and Sustainability Financing Framework meets the criteria established in the Protocol and are aligned with the GBP, SBP, SBG, GLP, and SLP 2021.

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):

KOWEPO intends to use the proceeds issued under the Framework to finance or refinance, in whole or in part, for new and/or existing Eligible Green and/or Social Projects. DNV concludes that the KOWEPO's Framework is aligned with the GBP, SBP, SBG, GLP, and SLP 2021.

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input 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 checked="" type="checkbox"/> Other (<i>please specify</i>): Eco-friendly Hydrogen |

If applicable please specify the environmental taxonomy, if other than GBPs: EU Taxonomy and Climate Bonds Taxonomy

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises |
| <input type="checkbox"/> Food security and sustainable food systems | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <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 (<i>please specify</i>): |

Target populations:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Living below the poverty line | <input checked="" type="checkbox"/> Excluded and/or marginalised populations and /or communities |
| <input checked="" type="checkbox"/> People with disabilities | <input type="checkbox"/> Migrants and /or displaced persons |
| <input type="checkbox"/> Undereducated | <input checked="" type="checkbox"/> Underserved, owing to a lack of quality access to essential goods and services |
| <input checked="" type="checkbox"/> Unemployed | <input type="checkbox"/> Women and/or sexual and gender minorities |
| <input checked="" type="checkbox"/> Aging populations and vulnerable youth | <input type="checkbox"/> Other vulnerable groups |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

The proceeds will be allocated to finance and refinance the projects as defined in Schedule 1. DNV reviewed the Framework which describes the process through which projects are evaluated and selected. DNV can confirm the proceeds go through a well-placed internal process for evaluation and selection. KOWEPO will have a dedicated Sustainability Working Group (SWG) to oversee the selection of Eligible Projects and their compliance with the eligibility criteria described in the Framework.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input 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 type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The Framework states that the proceeds from the Sustainability Financing Instruments will be managed with oversight by KOWEPO's Budget and Financing Office. The team will track internally, with the use of a register to make sure that proceeds raised from the Sustainable Financing Instruments to be allocated to Eligible Projects.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

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 intends to publish a report on the use of proceeds on an annual basis until the full allocation of the proceeds. KOWEPO will also report environmental and social impact with quantifiable indicators.

Use of proceeds reporting:

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

Information reported:

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

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☒ Energy Savings

☐ Decrease in water use

☒ Number of beneficiaries

☒ Target populations

☐ Other ESG indicators (please specify):

Means of Disclosure

☐ Information published in financial report

☒ Information published in sustainability report

☒ Information published in ad hoc documents

☒ Other (please specify): KOWEPO will post the allocation/impact reports on the KOWEPO's website

☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

<https://www.iwest.co.kr/eng/850/subview.do>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☒ Second Party Opinion

☐ Certification

☐ Verification

☐ Scoring/Rating

☐ Other (please specify):

Review provider(s):

DNV Business Assurance Korea Ltd.

Date of publication:

8 June 2022

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

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



WHEN TRUST MATTERS

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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