



Korea East-West Power Co. Ltd

SUSTAINABILITY BOND FRAMEWORK

June 2018

1. Background

Korea East-West Power Co., Ltd. (“EWP”) is a thermal generation company established on April 2, 2001, as one of six wholly-owned generation subsidiaries of Korea Electric Power Corporation (“KEPCO”). KEPCO is the sole electricity transmission and distribution company in Korea owned 51% by the Government of Korea. The six generation subsidiaries together generate over 80% of the electricity in Korea.

As of March 31, 2018, EWP had a domestic generation capacity of 11,186 megawatts (“MW”), or approximately 9.6% of the total electricity generation capacity in Korea. EWP's installed generating capacity is comprised of 6,940 MW coal-fired units, 2,972 MW LNG-fired units, 1,200 MW oil-fired units and 74 MW from other sources of energy including renewables. In 2017 and the three months ended March 31, 2018, the company sold 48,357 and 14,659 gigawatt-hours of electricity (“GWh”), respectively, to KEPCO through the Korea Power Exchange (the “KPX”).

Description of the Renewable Energy Business, the SME lending & other corporate Sustainability / Environmental strategies

Renewable Energy Business

In accordance with the ‘New and Renewable Energy 2030 Plan’ announced by the Korean government, EWP aims to increase production capacity of renewable energy to 20% of its total energy mix by 2030, from the current 0.6%. EWP's current new and renewable energy facilities includes photovoltaic, biomass thermal, mini-hydropower, wind power and fuel cell units.

Support for small and medium enterprises and local communities

EWP is committed to fostering globally competitive SMEs to fully exert their capabilities with emphasis on mutual growth. EWP has been providing systematic support through a dedicated task force for win-win growth and taking the lead in supporting the R&D of SMEs for the manufacturing. EWP's program to assist export companies and Power Silk Road Project have been carried out to support its business partners in pioneering overseas markets

EWP also implements social contribution program called ‘Happy Energy Dream’ to become a trusted energy company that fulfills its social responsibility through the practice of sharing. EWP operates a dedicated social contribution organization and management system for strategic social contribution activities in supporting local communities and creating new jobs.

Rationale for issuing a Sustainability bond

Based on company's vision of ‘2030 Most Valuable Power Company’, EWP aspires to strengthen its competitiveness by becoming a solution provider to the various challenges facing the power generation industry, while operating with sustainability as a key management goal. The company has developed a sustainable management system by drawing action plans for core issues in economic, social, and environmental areas. EWP strives to realize balanced business development and sustainable growth throughout its entire business processes, including R&D, power plant construction, fuel procurement, power generation, and facility management.

In addition, the Company laid out a strategy to integrate the United Nations Sustainable Development Goals (“UN SDGs”). EWP is contributing to sustainable growth and development by taking part in achieving 9 out of the 17 UN SDGs goals involving supply of affordable and clean energy, climate action and social contribution. In this context, EWP has committed to implement the UN SDGs nationwide.

SDGs Goals	EWP Efforts
 <p>Goal 2 Zero Hunger</p>	<ul style="list-style-type: none"> · Farming abalone using hot wastewater · Providing supplementary feed by forming pasture in the ash disposal site
 <p>Goal 5 Gender Equality</p>	<ul style="list-style-type: none"> · Hiring and promoting based on gender equality · Implementing the female manager training system · Regularizing leader education for females
 <p>Goal 7 Affordable and Clean Energy</p>	<ul style="list-style-type: none"> · Developing a large-scale new and renewable energy · Integrating ESS(Energy Storage System) into new and renewable energy
 <p>Goal 8 Decent Work and Economic Growth</p>	<ul style="list-style-type: none"> · Implementing flextime and family-friendly policies and institutionalizing leadership education for senior managers · Implementing Smart Office · Creating jobs related to prospective business
 <p>Goal 9 Industry, Innovation and Infrastructure</p>	<ul style="list-style-type: none"> · Developing and operating new and renewable energy, including wind and photovoltaic power · Recycling wastes like coal ash and gypsum
 <p>Goal 10 Reduced Inequalities</p>	<ul style="list-style-type: none"> · Socially equitable employment of the handicapped and local talents · Hiring women on a career break · Proclaiming the Charter of Human Rights Management
 <p>Goal 11 Sustainable Cities and Safe Communities</p>	<ul style="list-style-type: none"> · Managing and reducing air pollutants · Securing the technology for reducing fine dust
 <p>Goal 13 Climate Action</p>	<ul style="list-style-type: none"> · Over-achieving of the emission trading scheme's goals · Providing greenhouse reduction consulting for SMEs · Implementing adaptation plans for climate change · R&D on carbon utilization and CO₂ separation membrane modules
 <p>Goal 14 Life Below Water</p>	<ul style="list-style-type: none"> · Operating wastewater treatment plant · Conducting post-environmental impact assessment

2. Korea East-West Power Co. Sustainability Bond Framework

The aim of this Sustainability Bond Framework is to facilitate transparency, disclosure, integrity and quality in EWP's Sustainability Bonds for interested investors and stakeholders.

Korea East West Power Co Sustainability Bond Framework ("**Framework**") has been developed to address the four key pillars of the Green Bond Principles ("GBP"), Social Bond Principles ("SBP") and the Sustainability Bond Guidelines ("SBG"):

1. Use of Proceeds
2. Process for Projects Evaluation and Selection
3. Management of Proceeds
4. Reporting

The framework also covers: External Review

2.1 Use of Proceeds

The net proceeds of EWP Sustainability Bonds will be used to finance and/or refinance, in whole or in part, new or existing projects ("Eligible Projects") from any of the eligible project categories (Eligible Project Categories) as defined below:

Eligible Project Categories will fall into two broad categories:

Eligible Project Categories	Use of Proceeds
Renewable Energy	<ul style="list-style-type: none">• Financing or Refinancing construction and/or operation of solar, wind (onshore and offshore), biomass, geothermal, run-of-river hydropower, tidal and wave power assets and energy storage projects
Small-Medium Enterprise (SME) Financing and Support for Underprivileged Target Groups	<ul style="list-style-type: none">• SME R&D financing for supporting Korean employment and Korean economic growth in underperforming Korean areas• Support for development of communities and people living under poverty, and rural communities (agriculture and fishery)

Exclusionary Criteria

Proceeds from EWP Sustainability bonds will not be allocated to the following projects and/or activities:

- Large-scale hydro power projects with a generating capacity of >25MW
- Nuclear energy
- Fossil-fuel based electricity production and related clean-up operations
- SME's operating in the business sectors such as, but not limited to, alcohol, tobacco, gambling, weapons, munitions and fossil-fuel based energy production and related R&D activities

2.2 Project Evaluation and Selection Process

The Eligible Projects are assessed and identified using EWP's criteria indicated above. Only projects that meet one of the eligibility criteria may benefit from the Sustainability Bond financing. This assessment is conducted by EWP's Treasury Department and the relevant departments and teams under the EWP's New Growth Technology Division.

2.3 Management of Proceeds

The net proceeds of each Sustainability Bond will be deposited in EWP's Treasury Portfolio. An amount equivalent to the net proceeds shall be allocated for the financing and / or refinancing of existing or new Eligible Projects. EWP's treasury team will track internally, with the use of an Excel Spreadsheet the proceeds raised from the Sustainability Bonds to be allocated to Eligible Projects.

For refinancing, the Sustainability Bond could be used for Eligible Projects completed in the three full years prior to the Sustainability Bond issuance year.

Pending the full allocation of the proceeds, all or a portion of the net proceeds may be used for the payment of all or a portion of outstanding indebtedness, and/or temporarily invest in cash, cash equivalents, investment grade securities or other marketable securities and short-term instruments or other capital management activities.

2.4 Reporting

The reporting will include allocation reporting and impact reporting and will be publicly available on EWP website.

Allocation report

The allocation reporting will be available to investors within approximately one year from the date of the bond issuance and yearly thereafter until the bond proceeds have been fully allocated. It will be available on EWP website.

- Allocation per Eligible Asset Categories
- Example of projects financed by the proceeds, including their description (date, location, category, progress) and the corresponding allocated amount (in US\$)
- Allocated amount vs. total amount (in %)
- Portion of financing and refinancing

Impact report

On an annual basis, until full allocation, EWP will provide an impact reporting, whereby, for each category of Eligible Projects, and where feasible, EWP will report on relevant impact metrics.

Eligible Project Categories	Initiatives	Reporting Indicators
Renewable Energy	Renewable Energy Financing or Refinancing construction and/or operation of solar, wind (onshore and offshore), biomass, geothermal, run-of-river hydropower, and tidal and wave power assets	<ul style="list-style-type: none"> • Installed capacity in MW; • Annual GHG emissions avoided in tons of CO2 equivalent; and • Annual renewable energy production in MWh • Annual RPS purchase
Small-Medium Enterprise (SME) Financing and Support for Underprivileged Target Groups	<p>SME financing for supporting Korean employment and Korean economic growth in underperforming Korean areas</p> <p>Support for development of communities and people living under poverty, and rural communities (agriculture and fishery)</p>	<ul style="list-style-type: none"> • The number of SMEs financed • Amount of R&D financing • Number of jobs created • Number of beneficiaries for from the target group • Amount of social contribution spent

External Reviews

Second Party Opinion

Sustainalytics was appointed as an independent third party to provide assurance on EWP’s Sustainability Bond Framework and its alignment with the Green Bond Principles and Sustainability Bond Guidelines 2017. The opinion from Sustainalytics (“Second Party Opinion”) will be made available on EWP website.