

**WOORI BANK**

**GREEN, SOCIAL, AND SUSTAINABILITY  
BOND FRAMEWORK**

February 2019



## 1. Background

Established in 1899, Woori Bank is one of the largest commercial banks operating in Korea with consolidated total assets of KRW329.8tn as of the end of September 2018. Woori Bank provides retail, corporate and investment banking, as well as wealth management, capital market, and trust products and services to individuals, small- and medium-sized enterprises (“SME”) and large corporates.

The bank serves more than 20 million customers primarily through one of the largest banking networks in Korea, comprised of 877 branches and over 5,480 ATMs and cash dispensers, supplemented by internet and mobile banking platforms to enhance customer convenience. The bank also has the largest overseas network among Korean commercial banks with 430 branches and offices in 26 countries.

On January 11, 2019, Woori Financial Group Inc. was established through a comprehensive stock transfer of all Woori Bank shares to become a financial holding company that wholly owns Woori Bank and other non-bank financial affiliates. Adoption of financial holding company structure is expected to generate synergies and maximize profitability by allowing the group to more effectively provide comprehensive financial services and expand actively into non-banking and global business operations.

### ***Woori Bank’s Commitment to Sustainable Financing***

Woori Bank strives to fulfill its responsibility as a corporate citizen through managing its businesses based on sharing, service and sangsaeng (thriving together), and become a bank that achieves stainable growth together with the society.

As greater emphasis is placed on the social roles and responsibilities of finance, Woori Bank strives to realize three core values of Humanity, Happiness, and Hopefulness by serving and sharing with local communities.

In order to achieve inclusive financing for growth, Woori Bank broadened support for companies with advanced technology (such as leaders of the fourth industrial revolution), companies that create jobs, and start-up or venture companies. Woori Bank is the first among Korean banks to make direct investments in start-up and venture companies through its own selection and technology screening process to foster innovative economic growth. The bank also continues its partnership with credit guarantee organizations, local governments, and public institutions to strengthen interest rate competitiveness through policy financing and provide diverse job training programs. Woori Bank increased its special contribution to the Korea Credit Guarantee Fund and the Korea Technology Finance Corporation and extended KRW2.9trillion in loans for letters of guarantee to new and promising SMEs, companies that create jobs and individual entrepreneurs.

Woori Bank is committed to establishing an ecosystem and promoting social enterprises through diverse channels to improve social cohesion and the quality of people’s lives in Korea. In 2017, Woori Bank was awarded “Presidential Commendation for Services in Social Enterprise Incubation” by the Ministry of Employment and Labor, as the sole recipient from Korea’s financial sector. Since 2005, Woori Bank has been offering free consulting for social enterprises and provided customized loan products developed specifically for them. The bank works with Yellow Umbrella Mutual Aid to provide a stable social safety network and enter into contracts to provide inclusive financing for small business owners and social enterprises.

Woori Bank is also engaged in microcredit to spearhead efforts in practicing socially responsible banking by supporting financially struggling, socially vulnerable, and underbanked customers. In 2009, Woori Bank led the launch of the Woori Smile Microcredit Bank as a foundation and provided a total of 11,151 microcredit loans worth KRW130.8billion by the end of 2017.

In addition to its social efforts, Woori Bank provides financing solutions for a wide range of projects for renewable generation and for combatting climate change. Woori Bank is a leading bank in domestic project financing for renewable energy acting as financial advisor for projects such as, Jeonnam Shinan Wind Farm, Korea's largest onshore wind farm with 62.7MW generation capacity, and Bosong Biomass Energy. The bank also finances various solar and wind power projects overseas in Japan, Vietnam, Australia and the US, and waste-to-energy projects in China.

## **2. Woori Bank's Green, Social and Sustainability Bond Framework**

Woori Bank intends to issue a series of Green, Social and Sustainability Bonds ("GSS Bonds") to fulfill its economic, environmental and social responsibilities. Green, Social and Sustainability Bond Framework has been developed to facilitate transparency, disclosure, integrity and quality in Woori Bank's GSS Bonds for interested investors and stakeholders.

Financing may include instruments such as investments and loans that contribute to sustainable development by earmarking the proceeds for projects and expenditures that fall within the Eligible Categories (as described below).

The Framework has been developed to address the four key pillars of the Green Bond Principles ("GBP"), 2018, Social Bond Principles ("SBP"), 2018, and the Sustainability Bond Guidelines ("SBG"), 2018:

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

The framework also covers External Review

Woori Bank may issue GSS Bonds in any currency, jurisdiction and market reflecting its current and future business needs.

The Framework may be subsequently revised or updated as the sustainable finance market continues to evolve.

### **2.1 Use of Proceeds**

The net proceeds or an amount equal to the net proceeds from Woori Bank's GSS Bonds will be allocated to finance and/or refinance, in whole or part, projects or lending to Woori Bank's corporate customers and

individual customers. This includes all lending products that Woori Bank currently offers as well as any future lending products it may develop, except lending to Exclusions as defined in Section 2.1.3. Eligible lending products include new loans, and refinancing of existing loans that have been issued within 36 months prior to the date of issuance of the bond.

The net proceeds or an amount equal to the net proceeds of a Green Bond and/or a Social Bond issued under the Framework will be allocated to projects or lending that fall under the Green Eligible Categories set forth in Section 2.1.1 below or the Social Eligible Categories set forth in Section 2.1.2 below, respectively, while the net proceeds or an amount equal to the net proceeds of a Sustainability Bond will be allocated to a combination of Green and Social Eligible Categories (the “Eligible Use of Proceeds”).

### 2.1.1 Green Eligible Categories

Eligible Categories	Definition	Eligible Projects (including but not limited to)	UN SDG
Renewable energy	Technology and related infrastructure supporting the production of renewable energy such as solar energy, hydro-power, wind power, geothermal energy and bioenergy	<ul style="list-style-type: none"> <li>• Solar cell production</li> <li>• Solar energy generation (including building-integrated photovoltaics)</li> <li>• Biomass energy generation from waste biomass (including marine, agriculture, forest) without co-firing with fossil fuel</li> <li>• Ocean energy generation (ocean thermal energy, tidal power generation)</li> <li>• Hydro-power projects</li> <li>• Wind power generation</li> <li>• Solar thermal energy generation</li> </ul>	Goal 7: Affordable and Clean Energy
Energy efficiency	Industry that promote energy savings and increases efficiency of energy use by effectively distributing, utilizing, and managing the energy generated through the application of IT technology and new materials	<ul style="list-style-type: none"> <li>• Hydrogen fuel cell technology</li> <li>• Household energy management (smart meters)</li> <li>• Thermal grids to recycle heat waste from industrial applications as useful energy for other industries (e.g. heat pumps, heat exchangers)</li> </ul>	Goal 7: Affordable and Clean Energy
Pollution prevention and control	Technology and related services to create sustainable environment through reduction of environmental pollution, by eliminating or significantly mitigating environmental pollutants in water, air, and soil	<ul style="list-style-type: none"> <li>• Nitrogen reduction (technology to reduce nitrogen oxides emissions from industrial sources) excluding emissions reduction directly linked to fossil fuel technology</li> <li>• Micro-air pollution management</li> <li>• Soil remediation</li> </ul>	Goal 11: Sustainable cities and communities

	using biological, physical and chemical methods		
Environmentally sustainable management of natural resources and land use	Sustainable utilization of major natural resources such as land, water, air, minerals, forests, wild flora and fauna	<ul style="list-style-type: none"> <li>• Environmentally sustainable agriculture, (smart farming, micro-irrigation, agricultural microorganism and vertical farming)</li> <li>• Eco-Friendly Livestock Products with organic and antibiotic free certification labels provided by Ministry of Agriculture, Food and Rural Affairs (MAFRA)<sup>1</sup></li> </ul>	<p>Goal 12: Responsible consumption and production</p> <p>Goal 15: Life on Land</p>
Clean transportation	Transportation systems that have little or no carbon emissions and related equipment, technology and infrastructure	<ul style="list-style-type: none"> <li>• Magnetic levitation (advanced transit system)</li> <li>• Electric vehicles</li> <li>• Hydrogen vehicles</li> </ul>	Goal 11: Sustainable cities and communities
Sustainable water and wastewater management	Solutions that promote the sustainable management of water resources	<ul style="list-style-type: none"> <li>• Infrastructure to improve water quality</li> <li>• Wastewater treatment</li> <li>• Membrane filtration waste water recycling (sewage and waste water recycle, hydro ecological restoration)</li> </ul>	Goal 6: Clean water and sanitation
Climate change adaptation	Response to reduce the vulnerability of social and biological systems to climate change and the impact of global warming	<ul style="list-style-type: none"> <li>• Information support systems, such as climate observation and early warning systems</li> <li>• Flooding mitigation (sustainable urban drainage systems, river training)</li> </ul>	Goal 13: Climate action
Green buildings	Construction of buildings and application of processes that are environmentally responsible and resource-efficient throughout the building's life-cycle	<ul style="list-style-type: none"> <li>• Construction and renovation of green buildings that meet recognized Green Building Standards: LEED Gold and above, BREEAM Excellent and above, and national equivalents with minimum standards such as G-SEED 2 (Green Standard for Energy and Environmental Design) based on the Act on Development and Support of Green Buildings</li> </ul>	Goal 11: Sustainable cities and communities

<sup>1</sup> <http://www.naqs.go.kr/eng/contents/contents.do>

## 2.1.2 Social Eligible Categories

Eligible Categories	Eligible Projects (including but not limited to)	UN SDG
Employment generation, SME financing and microfinance	<ul style="list-style-type: none"> <li>Loans to or direct investments in start-ups, venture companies<sup>2</sup> and job creation companies<sup>3</sup></li> <li>Access to finance for companies categorized as an SME under the Enforcement Decree of The Framework Act on Small and Medium Enterprises<sup>4</sup> that has less than 10 employees</li> </ul>	Goal 8: Decent work and economic growth
Social enterprise financing	<ul style="list-style-type: none"> <li>Loans to social enterprises defined in Article 2 of the Social Enterprise Promotion Act<sup>5</sup></li> <li>Loans to social enterprises that do not meet all requirements in the Act, but are certified by the central or regional governments<sup>6</sup></li> </ul>	Goal 8: Decent work and economic growth  Goal 11: Sustainable cities and communities
Affordable housing	<ul style="list-style-type: none"> <li>Lending to tenant of public housing provided by 1) public housing providers under the Special Act of Public Housing or 2) public housing providers approved by Korea Housing Finance Corporation</li> <li>Lending to households with annual household income of below KRW20 million who do not own a house for the purpose of renting a house<sup>7</sup></li> </ul>	Goal 11: Sustainable cities and communities
Access to essential services (including healthcare, education and financing and financial services)	<ul style="list-style-type: none"> <li>Medical, education, vocational training programs and loans to low income individuals: <ul style="list-style-type: none"> <li>Low income individuals<sup>8</sup></li> <li>Single parents with dependents aged below 18</li> <li>Families or individuals with financially dependent(s) aged over 60</li> <li>Children of multicultural families</li> </ul> </li> </ul>	Goal 8: Decent work and economic growth  Goal 10: Reduced inequalities
Affordable basic infrastructure	<ul style="list-style-type: none"> <li>Projects that provide, or promote, the following to target populations specified in Appendix I: <ul style="list-style-type: none"> <li>Clean drinking water</li> </ul> </li> </ul>	Goal 9: Industry,

<sup>2</sup> Start-ups and venture companies are defined in Act on Special Measure for the Promotion of Venture Businesses and the Article 2 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises. Full article can be found from this website:

<http://law.go.kr/LSW/eng/engMain.do>

<sup>3</sup> Job creation criteria defined in Appendix 2. Companies certified by or received guarantee from the government or government related entities, including but not limited to Ministry of Employment and Labour, Ministry of SMEs and Start-ups, regional governments, Korea Technology Finance Corporation and Korea Credit Guarantee Fund

<sup>4</sup> SMEs are defined in the Article 2 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises. Full article can be found from this website: <http://law.go.kr/LSW/eng/engMain.do>

<sup>5</sup> Social enterprises are defined in the Article 2 of the Social Enterprise Promotion Act. Full article can be found from this website: <http://law.go.kr/LSW/eng/engMain.do>

<sup>6</sup> Requirements for government body certification is found from this website: for [www.socialenterprise.or.kr/kosea/reserve.do?dep1\\_kind=2](http://www.socialenterprise.or.kr/kosea/reserve.do?dep1_kind=2)

<sup>7</sup> Loans are provided at 1~2% lower interest rates than market average, and are in fixed interest rate to protect against rise in interest rate

<sup>8</sup> Low income individuals are determined by the Korean Ministry of Health and Welfare (MOHW) and Ministry of Education (MOE)'s classification, which is based on household income

	<ul style="list-style-type: none"> <li>– Sewerage</li> <li>– Sanitation</li> <li>– Public Transportation</li> <li>– Energy</li> <li>• Financing social and infrastructural developments in underdeveloped countries through intermediaries, such as development banks or agencies under the UN.</li> </ul>	innovation and infrastructure
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### 2.1.3 Exclusions

The following industries are excluded from consideration for eligibility:

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage, golf course services);
- Child labour;
- Adult entertainment;
- Weapon;
- Alcohol;
- Tobacco;
- Technologies that increase the energy efficiency of fossil fuel production and/or distribution;
- Nuclear;
- Large-scale hydro-power projects with a generating capacity of over 25 megawatts;
- Biomass suitable for food production; and
- Any fossil fuel related assets (production, distribution, clean-up operations and R&D operations)

## 2.2 Project Evaluation and Selection

The Projection Evaluation and Selection Process is a key process in ensuring that the net proceeds raised by the Woori Bank are allocated to new lending or existing projects and assets that meet the eligibility criteria as defined in Section 2.1.

Potentially eligible projects for the use of net proceeds of each bond issued under the Framework will first be identified and proposed by Woori Bank's business units. These projects will need to meet all lending criteria established by Woori Bank for lending in the ordinary course of its business.

Woori Bank established a dedicated Green, Social and Sustainability Bond Working Group ("GSSBWG") that will assess the environmental and social impact of potential eligible projects by screening customer information against the Eligible Use of Proceeds set forth in Section 2.1, and will make recommendation for inclusion as Eligible Use of Proceeds. GSSBWG is made up of representatives from the follow departments:

- Corporate Social Responsibility Department
- Project Finance Department
- Investment Banking Department

- Retail Banking Products & Marketing Department
- Small & Medium Corporate Banking Products & Marketing Department
- Corporate Banking Products & Marketing Department
- Institutional Banking Products & Marketing Department
- Housing Fund Department
- Global Business Promotion Department
- Credit Risk Management Department

Annually, the GSSBWG will review the allocation of the GSS Bond proceeds to the Eligible Categories and determine if any changes are necessary. The GSSBWG will ensure that all projects included under the Eligible Use of Proceeds still align with the Eligible Criteria or determine if replacement / deletion / additions are necessary.

## 2.3 Management of Proceeds

Woori Bank will establish a GSS Bond Register (the “Register”) to record the allocations and track the use of bond proceeds. The proceeds will be deposited in the general funding accounts and earmarked for allocation to eligible assets.

The Register will be reviewed annually by the GSSBWG to account for any re-allocation, repayments or drawings on the eligible projects and expenditures within the pool.

The Register will contain, among others, the following information:

- (1) Details of the bond(s): ISIN, pricing date, maturity date, interest rate or coupon, etc.
- (2) Details of the use of proceeds, including;
  - Amount of net proceeds earmarked for each eligible project and/or eligible category;
  - Summary of eligible projects and expenditures to which the bond proceeds have been earmarked in accordance with the Framework;
  - Any unallocated proceeds yet to be earmarked for eligible projects and expenditures; and
  - Other necessary information

Pending the full allocation of the net proceeds, all or a portion of the net proceeds will be held in accordance with Woori Bank’s general liquidity management policies. The unallocated can be invested in cash, cash equivalents, investment grade securities or other marketable securities and short-term instruments or other capital management activities. The net proceeds may be swapped or hedged into different currencies subject to the company’s needs.

## 2.4 Reporting

The reporting will include allocation reporting and impact reporting (if available) and will be publicly available on Woori Bank’s internet website. The 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. The disclosure will contain, among others, the following information:



## Summary

List of all bond(s) executed in the reporting period and outstanding as of the reporting date and summary terms of each transaction, including transaction date, principal amount of proceeds, maturity date, and interest rate or coupon, the ISIN number etc.

## Allocation report

- Confirmation that the use of net proceeds of each bond complies with this Framework;
- The total amount allocated to Eligible Use of Proceeds and breakdown per eligible category; and
- The balance amount of unallocated net proceeds

## Impact report

Where possible, the Group will report on the environmental and social impacts (where relevant) resulting from eligible projects. Subject to the nature of eligible projects/expenditures and availability of information, the Group will look to utilize the impact reporting guidelines (as detailed within the ICMA Green Bond Principles Resource Centre).

Categories	Impact Indicators
Environmental Impact	<ul style="list-style-type: none"><li>• kWh of power generated from renewable energy</li><li>• Tonnes of GHG avoided</li><li>• Energy saved per year (kWh/year)</li></ul>
Social Impact	<ul style="list-style-type: none"><li>• Amount of credit provided to start-ups, venture companies and job creation companies</li><li>• Amount of credit provided to SMEs</li><li>• Number of SMEs financed</li><li>• Number of jobs created</li><li>• Amount of credit provided to social enterprise</li><li>• Number of social enterprises financed</li><li>• Loans provided for public housing</li></ul>

## 3. External Reviews

### Second Party Opinion

Woori Bank has engaged Sustainalytics to provide an independent third party to provide assurance on Woori Bank's Green, Social and Sustainability Bond Framework and its alignment with the GBP, SBP and SBG. The opinion from Sustainalytics ("Second Party Opinion") will be made available on Woori Bank's internet website.

## Appendix 1: Examples of Target Population from SBP 2018

1. Low income individuals
2. Vulnerable groups, including victims of natural disasters
3. People with disabilities
4. Migrants and/or displaced persons
5. Under-educated
6. Underserved, from a lack of quality access to essential goods and services
7. Unemployed

## Appendix 2: Job Creation Criteria

1. Employment growth since January 1, 2017
2. Certified as 'Good Employment Company' by the central or local government<sup>9</sup>
3. Assigned as 'Job Creation Supporting Company for Part-time Workers' by the Ministry of Employment and Labor
4. Received tax benefit in consequence of employment expansion for the recent 2 year as per the Special Tax Treatment Control Act
5. Company engaged in supporting business area of Ministry of SMEs and Startups
6. Company engaged in 'Young Generation Employment Campaign' hosted by the Ministry of Employment and Labor, and Ministry of SMEs and Startups
7. Company provided with 'Employment Stability Subsidy' or 'Employment Generation Subsidy' by the government<sup>10</sup>
8. Company that transferred its headquarters or factories from overseas to Korea for the past 2 years<sup>11</sup>
9. Company that hired new employees in past 6 months or plans to hire in next 6-month period through the 'WorkNet' or 'Job Cloud' operated by the Ministry of Employment and Labor and Korea Credit Guarantee Fund, respectively
10. SMEs that provides 'Stable and Quality Jobs'<sup>12</sup>

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<sup>9</sup> Example of selected companies can be viewed from this website:

[http://www.moel.go.kr/local/busan/news/reportexplan/view.do?bbs\\_seq=1458280013400](http://www.moel.go.kr/local/busan/news/reportexplan/view.do?bbs_seq=1458280013400)

<sup>10</sup> Example of criteria can be viewed from this website:

[https://www.kodit.co.kr/work/crdt\\_quar/crdt\\_quar/crdt\\_gd/new\\_gd/nproduc160616\\_1.jsp](https://www.kodit.co.kr/work/crdt_quar/crdt_quar/crdt_gd/new_gd/nproduc160616_1.jsp)

<sup>11</sup> Criteria can be viewed from this website: <http://www.moel.go.kr/policy/policyinfo/create/list23.do>

<sup>12</sup> [https://www.kodit.co.kr/work/biz\\_opr/biz\\_gjob/process/process.jsp](https://www.kodit.co.kr/work/biz_opr/biz_gjob/process/process.jsp)