

Second-Party Opinion

KEB Hana Bank Sustainable Financing

Evaluation Summary

Sustainalytics is of the opinion that the KEB Hana Bank (KHB) Sustainable Financing Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018 and the Green Loan Principles. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) SME Financing, (ii) Socioeconomic Advancement and Empowerment, (iii) Affordable Housing, (iv) Employment Generation, (v) Clean Transportation (vi) Renewable Energy, and (vii) Green Buildings - are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Green Loan Principles. Although the financing is not exclusively project-based, Sustainalytics considers the eligible green and social projects to have positive environmental and social impacts and to advance the UN Sustainable Development Goals.



PROJECT EVALUATION / SELECTION A dedicated Sustainable Financing Working Group (SFWG) will oversee KHB's internal process in evaluating and selecting projects. The SFWG will be chaired by the company Treasurer and will consist of members from various departments, including CSR teams from both KHB and Hana Financial Group. This is in line with market practice.



MANAGEMENT OF PROCEEDS KHB will track the net use of proceeds through a Sustainable Financing Register. The proceeds of the transaction will be deposited in the general funding accounts and earmarked for allocation in the register. Pending allocation, proceeds will be held in accordance with KHB's general liquidity management policies. This is in line with market practice.



REPORTING KHB intends to provide a Sustainable Financing Progress Report published within its Investor Relations webpage within one year of issuance, and on an annual basis. The allocation reporting will include the aggregate amount allocated to eligible projects and as per eligible categories, as well as the balance of unallocated proceeds, and impact reporting will include relevant social and environmental metrics. Sustainalytics views KHB's allocation and impact reporting as aligned with market practice.

Evaluation date	November, 2018
Issuer Location	Seoul, South Korea

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Introduction

KEB Hana Bank ("KHB", or the "Issuer") is a subsidiary of Hana Financial Group Inc ("HFG", or the "Group"), one of the largest banks in South Korea. HFG is a Korean bank holding company with Asia-Pacific and other global credit exposure through its various banking activities. Operations include retail banking, corporate banking, investment banking, and asset management. The Group's products and services include household loans, bancassurance, investment funds, private banking, mobile banking, brokerage services, credit cards, and retirement pensions, as well as small to medium-size enterprise, small- and home office, and large corporate loans.¹ In 2018, the company's initiatives align with three strategic priorities: (i) leveraging big data analysis for financial innovation; (ii) creating a great workplace; and (iii) pursuing shared-value growth with society through financing.²

KHB has developed the Sustainable Financing Framework (the "Framework") under which it is issuing Sustainable Financing Transactions ("SFT") which will include bonds and loans and use the proceeds to refinance or finance, in whole or in part, existing or new eligible projects that provide clear environmental and social benefits. The Framework defines eligibility criteria in the following seven areas:

1. SME Financing
2. Socioeconomic Advancement and Empowerment
3. Affordable Housing
4. Employment Generation
5. Clean Transportation
6. Renewable Energy
7. Green Buildings

KHB engaged Sustainalytics to review the Sustainable Financing Framework and provide a second-party opinion on the Framework's environmental and social credentials, as well as the alignment of the SFT with the Green Bond Principles ("GBP"), Social Bond Principles ("SBP") and Sustainability Bond Guidelines 2018 (the "SBG"),³ as administered by the International Capital Market Association (the "ICMA"),⁴ and the Green Loan Principles (the "GLP"), as administered by the Loan Market Association (the "LMA")⁵. This Framework has been published in a separate document.⁶

As part of this engagement, Sustainalytics held conversations with KHB to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of KHB's SFT. Sustainalytics also reviewed relevant public documents and non-public information.

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

¹ <https://www.bloomberg.com/profiles/companies/004940:KS-keb-hana-bank>

² Hana Financial Group Sustainability Report 2017:

http://www.hanafn.com/eng/csr/sustainability/sustainabilityFileDown.do?fileName=report_2017_english.pdf

³ Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles, with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

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

⁵ Green Loan Principles, March 2018 http://www.lma.eu.com/application/files/8415/2162/5092/LMA_Green_Loan_Principles_Bookletpdf.pdf

⁶ <http://www.hanafn.com/eng/csr/sustainability/sustainabilityReport.do>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the KHB Sustainable Financing Framework

Summary

Sustainalytics is of the opinion that the KHB Sustainable Financing Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018, the Social Bond Principles 2018, and the Green Loan Principles. Sustainalytics highlights the following elements of KHB's Sustainable Financing Framework:

- Use of Proceeds:
 - The seven use of proceeds categories are recognized as impactful by the GLP, and the SBG which adheres to the GBP 2018 and the SBP 2018.
 - The Framework has defined targeted populations for social use of proceeds, as recommended by the Social Bond Principles 2018. Sustainalytics views the following definitions positively:
 - The alignment of the threshold for low-income individuals with those of the Korean Ministry of Health and Welfare (MOHW) and the Ministry of Education (MOE).
 - Providing loans at reduced rates to SMEs with less than ten employees. The Framework has extensive criteria for SMEs as defined by Enforcement Decree of the Framework Act on Small and Medium Enterprises.
 - Socioeconomic advancement and empowerment by assisting migrants and/or displaced persons; and increasing financial service access to foreign workers.
 - Financing to Social Enterprises as defined by Social Enterprise Promotion Act and its Enforcement Decree.
 - Affordable housing by lending to tenants of public housing provided by (i) public housing providers under the Special Act of Public Housing or (ii) public housing providers approved by Korea Housing Finance Corporation.
 - Employment generation by providing loans to companies that qualify under the Job Creation Criteria as defined in KHB's Framework.
 - The eligible projects under the green use of proceeds will provide meaningful environmental contributions in terms of improved access to clean transportation, renewable energy, including solar, wind, small hydro (<25 MW) and biomass facilities, as well as green buildings.
 - The eligibility criteria for hydroelectric generation include only small hydro facilities (<25 MW) reducing the potential risks of negative environmental, social and regulatory challenges. Sustainalytics believes this eligibility criteria will prevent proceeds from sustainability bonds and loans from being directed to large hydro projects with substantial negative impacts.
 - KHB's green buildings eligibility criteria are based on third-party certification standards such as LEED Gold or above, BREEAM Excellent or above, and equivalent national standards such as G-SEED Green 2 or above. Sustainalytics has conducted an evaluation of the certifications and considers such certification standards as having a positive impact (see Appendix 1 for additional details on the certification schemes).
 - Sustainalytics recognizes that the GBP, SBP and SBG prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While the Framework includes project-based lending, it also considers the inclusion of non-project-based lending activities and expenditures. Sustainalytics considers lending to the eligible categories as environmentally and socially impactful in Korea's local context.
 - The exclusionary criteria consider the following: luxury sectors; industries where risk of child labour is high; adult entertainment; weapons; alcohol; tobacco; fossil fuel; nuclear; large-scale hydropower (>25 MW); and industries utilizing biomass where such use may create competition with food crops, and/or increases in food prices. Sustainalytics is of the opinion that these exclusions strengthen the Framework.

- Given the broad application of the Framework, Sustainalytics recommends disclosing on issuance of the bonds, the specific projects intended to be funded through bond proceeds, and the relevant eligibility criteria.
- Project Evaluation and Selection:
 - KHB's project selection process involves initial project identification by KHB's various business units, followed by review and approval by the Sustainable Financing Working Group (SFWG). SFWG will be chaired by the company Treasurer and will consist of members from cross-functional departments, including the Treasury Department and CSR Department. Sustainalytics considers that the collaboration between relevant business units is likely to strengthen the implementation of the Framework and is in line with market practice.
- Management of Proceeds:
 - KHB will establish a Sustainable Financing Register to record the ongoing allocation of net proceeds for each SFT. All SFT will be earmarked within the register for allocation against the eligible projects.
 - The unallocated proceeds will be held in accordance with KHB's general liquidity management policies and can be invested in money market instruments with satisfactory credit ratings and market liquidity. KHB's process with respect to the management of proceeds is robust and in line with market practice.
- Reporting:
 - KHB has committed to provide an annual Sustainable Financing Progress Report comprised of allocation and impact reporting which are in line with market practice.
 - The allocation reporting will include relevant transaction data such as the aggregate amount allocated to eligible projects, as well as by eligible categories. The balance of unallocated proceeds will also be reported.
 - The impact reporting will include green indicators such as GHG emissions reductions; financed renewable generation capacity; number of financed electric vehicles; and social indicators such as number of financed SMEs, and amount of financing; and number of jobs created.

Alignment with Sustainability Bond Guidelines 2018 and Green Loan Principles

Sustainalytics has determined that the KEB Hana Bank Sustainable Financing Framework aligns with the four core components of the Green Bond Principles 2018, the Social Bond Principles 2018, and the Green Loan Principles. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of Sustainable Financing Transaction to Hana Financial Group's sustainability strategy

Sustainalytics is of the opinion that HFG articulates a strong commitment towards a comprehensive approach to sustainability, including inclusive and responsible financing. Although KHB has not set quantifiable targets for sustainable financing, the Group has demonstrated its commitment to mitigate climate change and promote positive social impact in its Sustainability Report 2017 through the following efforts⁷:

- HFG's mission and vision include the pursuit of social responsibility along with business growth. One of the core-pillars of HFG's sustainability strategy is to provide financing support for "promising enterprises" including SMEs and the underprivileged, and to spur the solar Green Loan market. HFG's commitment go well beyond an aim of financing the Framework's defined targeted population, and considers diverse vulnerable populations including, but not limited to, self-employed people, young people, people with developmental disabilities, near-poverty and low-income individuals, and startups & social enterprises.
- HFG performed materiality analysis based on social interests and business impact and determined the following two material issues corresponding to sustainable financing: (i) consider social and environmental risks in loan/investment operations, and (ii) undertake social contribution programs.

⁷ <http://www.hanafn.com/eng/csr/sustainability/sustainabilityReport.do>

- HFG has led self-initiated transparent disclosure in the Dow Jones Sustainability Indices (DJSI) and the CDP, and has been awarded with the 'Carbon Management Sector Honors' in the financial sector for two consecutive years for showing a commitment to address climate change and reduce greenhouse gas (GHG) emissions. As a member of UN Global Compact (UNGC), HFG is in full compliance with the UNGC's ten principles on human rights, labor, the environment, and anticorruption, and transparently discloses its performance to the UNGC.

Sustainalytics is of the opinion that HFG's sustainability strategy and actions demonstrate the importance the Group places on achieving positive environmental and social impacts. Sustainalytics also believes that KHB's SFT is aligned with the Group's overall sustainability efforts and can support the transition towards a sustainable and financially inclusive economy.

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

While Sustainalytics recognizes that the proceeds from KHB's Framework will be directed towards eligible projects that are recognized by market norms (GBP, SGP, SBG and GLP) to have positive impact, Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects are pollution control in construction and development projects, increased exposure of local communities to adverse effects, and biodiversity loss.

Sustainalytics is of the opinion that KHB can mitigate such risks through the following environmental and social risk assessment processes: (i) compliance with the principles of the UN Global Compact, (ii) robust Risk Management System consisting of Risk Management Committee, and (iii) sector-specific CSR strategy & policy and business plans advancing socially responsible management governed by the sustainability management committee (the "Happiness Sharing Committee").

Overall, Sustainalytics believes that KHB has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the Use of Proceeds.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are recognized as impactful by GBP, SBP, and the GLP.

Social Impacts

The social use of proceeds will be used for lending in the following four categories:

1. SME Financing
2. Socioeconomic Advancement and Empowerment
3. Affordable Housing
4. Employment Generation

Importance of affordable housing programs in Korea

Housing policy in Korea has historically been characterized by government intervention to support the construction of housing units by providing land to developers, financing initiatives, various regulations, and direct actions by state-owned corporations.⁸ These measures were designed to ameliorate widespread housing shortages and deficiencies in quality and were largely successful in meeting these goals.⁹ However, housing affordability remains an ongoing issue, in particular in major cities, which have seen substantial population growth. Socioeconomic and systemic factors, such as demographic shifts and the decline of the traditional Jeonse rent system, have exacerbated the situation. In the city of Seoul, despite a 2.3 time increase in housing stock between 1990 and 2015, purchase prices and rent levels continue to increase, impacting affordability, particularly for tenants.¹⁰ To address this issue, government policy has moved towards more targeted programs for low-income earners, young people, and other vulnerable groups.¹¹

⁸ <https://www.asiapathways-adbi.org/2017/08/housing-policy-in-the-republic-of-korea/>

⁹ <https://www.adb.org/sites/default/files/publication/183281/adbi-wp570.pdf>

¹⁰ <http://global.si.re.kr/content/affordable-rented-housing-strategies-seoul>

¹¹ <https://www.retalkasia.com/news/2017/10/30/seoul%E2%80%99s-revitalisation-youth-housing/1509329098>

Sustainalytics is of the opinion that the affordable housing use of proceeds category will create positive social impact by increasing lending to affordable housing for low- and medium-income families, young people, and other disadvantaged populations in Korea. KHB's affordable housing use of proceeds category is important in the context of affordability challenges in Korea and aligns with the Social Bond Principles 2018. Sustainalytics views affordable housing lending as an impactful use of proceeds category, especially considering the eligibility criteria for beneficiaries is aligned with the governments definitions to ensure benefits are provided to those in need.

Importance of job creation in Korea

In July 2017, South Korea's State Affairs Planning Advisory Committee submitted a "Five- year Plan for the Administration of State Affairs" which consists of a national vision, policy goals and strategies, 100 policy tasks and consolidated innovative tasks of the current administration. Amongst the 100 policy tasks, the top two consolidated innovative tasks selected to be carried out as top priorities were: "The job-creating economy" and "Nurturing innovative startups".¹² In October 2017, the South Korean government introduced a five-year roadmap on job creation that emphasizes creating jobs in the public and private sectors, while improving the overall quality of jobs.

Within the private sector, the roadmap seeks to induce more employment by providing support to "innovative startups" as well as stimulating the social economy. This is becoming an important issue since South Korea is seeing rapid increase in the number of individual, self-employed startups that do little to create more jobs.¹³ Furthermore, data from Statistics Korea in July 2018 indicated that the economy added a mere 5,000 jobs in July over a year earlier, the smallest annual gain since 2010 when 10,000 jobs were lost in the depths of the global financial crisis. To tackle this situation, the roadmap seeks to provide various incentives to build and expand "innovative startups" conducive to job creation.¹⁴ Sustainalytics is of the opinion that KHB's job creation criteria is robust as it (i) defines job creation based a number of government definitions such as the Ministry of Employment and Labor, the Special Tax Treatment Control Act, Ministry of SMEs and Startups, amongst others, and (ii) is aligned with the government's priorities to stimulate job growth.

Importance of supporting SMEs in Korea

The South Korean government provides a high level of support for SMEs,¹⁵ as they represent a way of securing economic growth, while also promoting job creation, innovation and social integration. Furthermore, SMEs have increasingly relied more on bank loans for funding their businesses, increasing from 73.5% in 2005 to 83.8% in 2013, which highlights the relevance of banks for SMEs.¹⁶ However, in 2013, even though SMEs made up 99.9% of the South Korean enterprises and accounted for 86.8% of total employment in South Korea, only 0.01% of small companies grew into medium-sized enterprises over the period 2011-2014.¹⁷ Limited access to funding remains a major obstacle in the growth path of small and medium enterprises. KHB's Sustainable Financing will be especially impactful in this area because the bank assists SMEs, including those with fewer than ten employees, with loans and microfinance solutions. KHB's projects would help facilitate access to finance for these enterprises, which represent an essential segment of South Korea's economy.

The social categories defined in the KHB Sustainable Financing Framework are recognized as having beneficial social impacts by the Social Bond Principles 2018.

Environmental Impacts

The green use of proceeds will be used for lending in the following three categories:

1. Clean Transportation
2. Renewable Energy
3. Green Buildings

The environmental categories defined in KHB Sustainable Financing Framework are recognized as having beneficial environmental impacts by the Green Bond Principles 2018 and Green Loan Principles.

¹² <http://www.korea.net/koreanet/fileDown?fileUrl=/upload/content/file/1500533508268.pdf>

¹³ <https://thediplomat.com/2017/11/can-south-korea-jumpstart-job-creation/>

¹⁴ <https://thediplomat.com/2017/11/can-south-korea-jumpstart-job-creation/>

¹⁵ Economic Survey of Korea 2018; <http://www.oecd.org/eco/economic-survey-korea.htm>

¹⁶ OECD Economic Surveys Korea; <https://www.oecd.org/eco/surveys/Korea-2016-OECD-economic-survey-overview.pdf>

¹⁷ Korea Policy Brief; https://www.oecd.org/industry/korea-promoting-innovative-entrepreneurship_EN.pdf

As a financial institution, HFG is well-positioned to make an impact through its lending activities through KHB. Sustainalytics believes that KHB's green use of proceeds will promote the adoption of environmentally responsible financing practices and support a shift towards a low-carbon economy.

Alignment with/contribution to SDGs

The UN Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Responsible business and investment are essential to advancing the SDGs and achieving transformational change through the SDGs.¹⁸ KHB's sustainable financing advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
SME Financing	8. Decent Work and Economic Growth 9. Industry, Innovation and Infrastructure	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. 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
Socioeconomic Advancement and Empowerment	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. 10.C By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
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
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters.

¹⁸ <https://www.unglobalcompact.org/sdgs/17-global-goals>

Conclusion

KEB Hana Bank has developed a Sustainable Financing Framework for its Sustainability Finance Transaction to finance, or refinance, a broad range of eligible projects that intend to deliver positive environmental and social outcomes. Sustainalytics believes that KHB's Framework is aligned with the overall sustainability objectives of the Group and that the environmental and social use of proceed categories will advance a number of key SDGs in Korea.

Sustainalytics highlights that aligning the social use of proceed definitions for target populations with the government's definitions and thresholds ensures that the social use of proceeds is credible with respect to targeting vulnerable populations.

Overall, Sustainalytics is of the opinion that KHB is well positioned to enter into Sustainable Financing Transaction and that KHB's Sustainable Financing Framework is robust, transparent, and in alignment with the requirements of the GBP, the SBP, the SBG, and the GLP.

Appendices

Appendix 1: Green Buildings Certifications Comparison

	BREEAM	LEED	G-SEED
Background	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.	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.	G-SEED (Green Standard for Energy and Environmental Design) is a green building certification used in Korea. First implemented in 2002, and later expanded in 2016, G-SEED is administered by the Korean Government under the authority of the Green Building Act (2006).
Certification levels	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum	Green 4 Green 3 Green 2 Green 1
Areas of Assessment: Environmental Project Management	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	
Areas of Assessment: Environmental Performance of the Building	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	Land Use & Transportation Energy & Environmental Pollution Materials & Resources Water Management Maintenance Ecology Indoor Environment Innovative Design
Requirements	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ¹⁹ 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 with to build their BREEAM performance score.	Prerequisites (independent of level of certification) + 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 sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-	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.

¹⁹ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

	BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	
Performance display			
Accreditation	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor	LEED AP BD+C LEED AP O+M	Certification Bodies, appointed by the Ministry of Environment (MOE) and the Ministry of Land, Infrastructure and Transportation (MLIT) review and certifies projects.
Qualitative considerations	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.	Widely recognised internationally, and strong assurance of overall quality.	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:	KEB Hana Bank
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Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	KEB Hana Bank Sustainable Financing Framework
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Review provider's name:	Sustainalytics
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Completion date of this form:	November 20, 2018
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Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	
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Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – (i) SME Financing, (ii) Socioeconomic Advancement and Empowerment, (iii) Affordable Housing, (iv) Employment Generation, (v) Clean Transportation (vi) Renewable Energy, and (vii) Green Buildings - are aligned with those recognized by the Green Bond Principles, Social Bond Principles, and Green Loan Principles. Although the financing is not exclusively project-based, Sustainalytics considers the eligible green and social projects to have positive environmental and social impacts and to advance the UN Sustainable Development Goals.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input 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 checked="" 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 checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

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

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

A dedicated Sustainable Financing Working Group (SFWG) will oversee KHB's internal process in evaluating and selecting projects. The SFWG will be chaired by the company Treasurer and will consist of members from various departments, including CSR teams from both KHB and Hana Financial Group. This is in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

KHB will track the net use of proceeds through a Sustainable Financing Register. The proceeds of transaction will be deposited in the general funding accounts and earmarked for allocation in the register. Pending allocation from proceeds will be held in accordance with KHB's general liquidity management policies. 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:

- | | |
|---|---|
| <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 checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input 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):

KHB intends to provide a Sustainable Financing Progress Report published within its Investor Relations webpage within one year of issuance, and on an annual basis. The allocation reporting will include the aggregate amount allocated to eligible projects and as per eligible categories, as well as the balance of unallocated proceeds, and impact reporting will include relevant social and environmental metrics. Sustainalytics views KHB's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

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

Frequency:

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

Impact reporting:

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

Frequency:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): amount of SME |

financing, number of SME financed, number of jobs created, number of electric vehicles financed, and total renewable generation capacity financed.

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Investor Relations webpage |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

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- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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