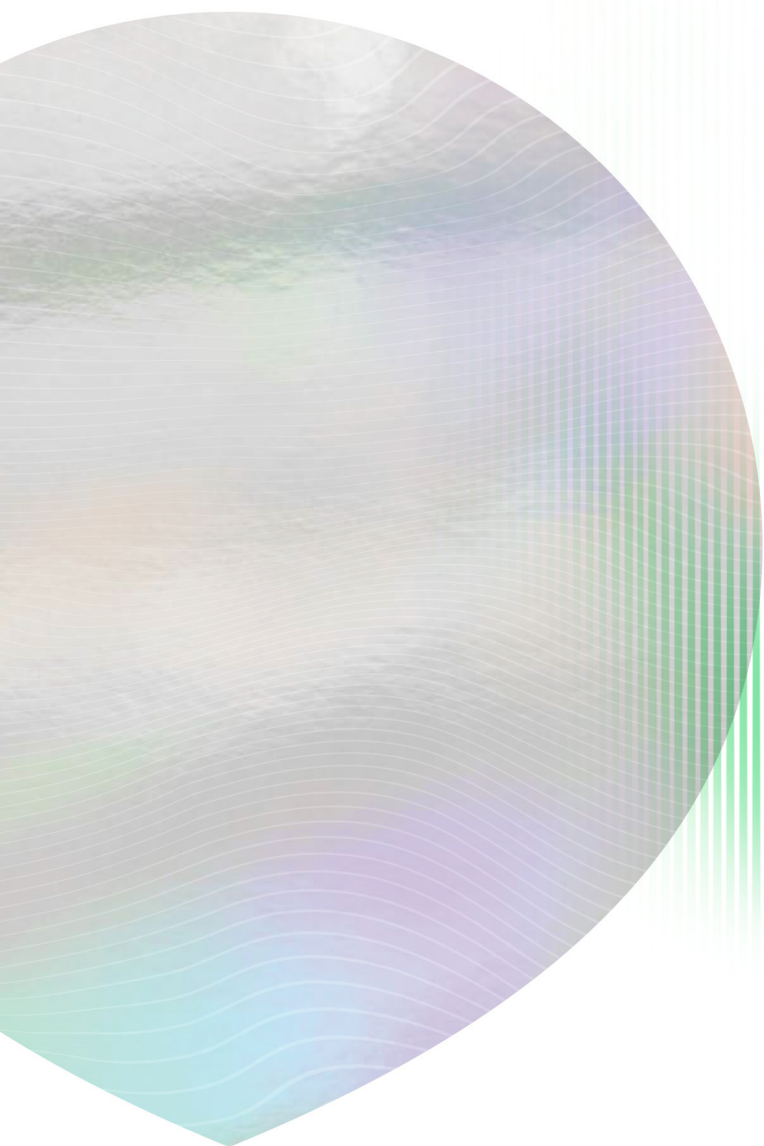


NAVER Corporation

# ANNUAL SUSTAINABILITY BOND REPORT

March 2022



**NAVER**

# ESG IMPLEMENTATION STRATEGY OF NAVER

## STRATEGIES TO ENHANCE CORPORATE VALUE BASED ON ESG

It is our stakeholders and society that have driven NAVER's successful business growth. In addition, demands for online platforms' social roles and responsibilities are further expanding amid so called "untact" non-face-to-face environments due to the COVID-19 pandemic. In response, NAVER established a mid- to long-term ESG strategy in the second half of 2020 to lead the growth of long-term corporate value and to create social and environmental values.

NAVER selected seven strategic areas having a significant impact on the company and its stakeholders. Four areas are identified as new opportunities serving as core competitiveness for our business in the future, while the other three, as significant risk factors in our corporate value should we fail to manage them responsibly. NAVER establishes strategic tasks for each of these seven areas every year and manages the progress of improvement under the leadership of our board of directors and top management. We also share various risks and opportunities, including those involved in the seven areas, with our stakeholders in efforts to transparently communicate with them.

### Establish an eco-friendly e-commerce ecosystem

- Continue to increase investments in eco-friendly packaging
- Promote eco-friendly product branding
- Induce partner participation

### Support employee growth and engagement

- Strengthen the employee education system
- Give stock options to all employees

### Expand support to help partners grow

- Expand social value creation through NAVER Partner Square
- Expand the win-win growth fund for shared growth

### Maintain and further improve transparency of corporate governance

- Establish and offer transparent and predictable shareholder return policy
- Maintain top-level governance transparency

## MAXIMIZING BUSINESS VALUE

## MINIMIZING OPERATIONAL RISK

### Achieve 2040 Carbon Negative

- Manage and improve energy efficiency of data centers
- Increase use of new and renewable energy
- Identify eco-friendly businesses and increase investments in low carbon solutions

### Minimize risks related to data protection and cybersecurity

- Operate a data security management system led by internal and external experts and top management
- Continually upgrade risk management solutions for data protection and cybersecurity

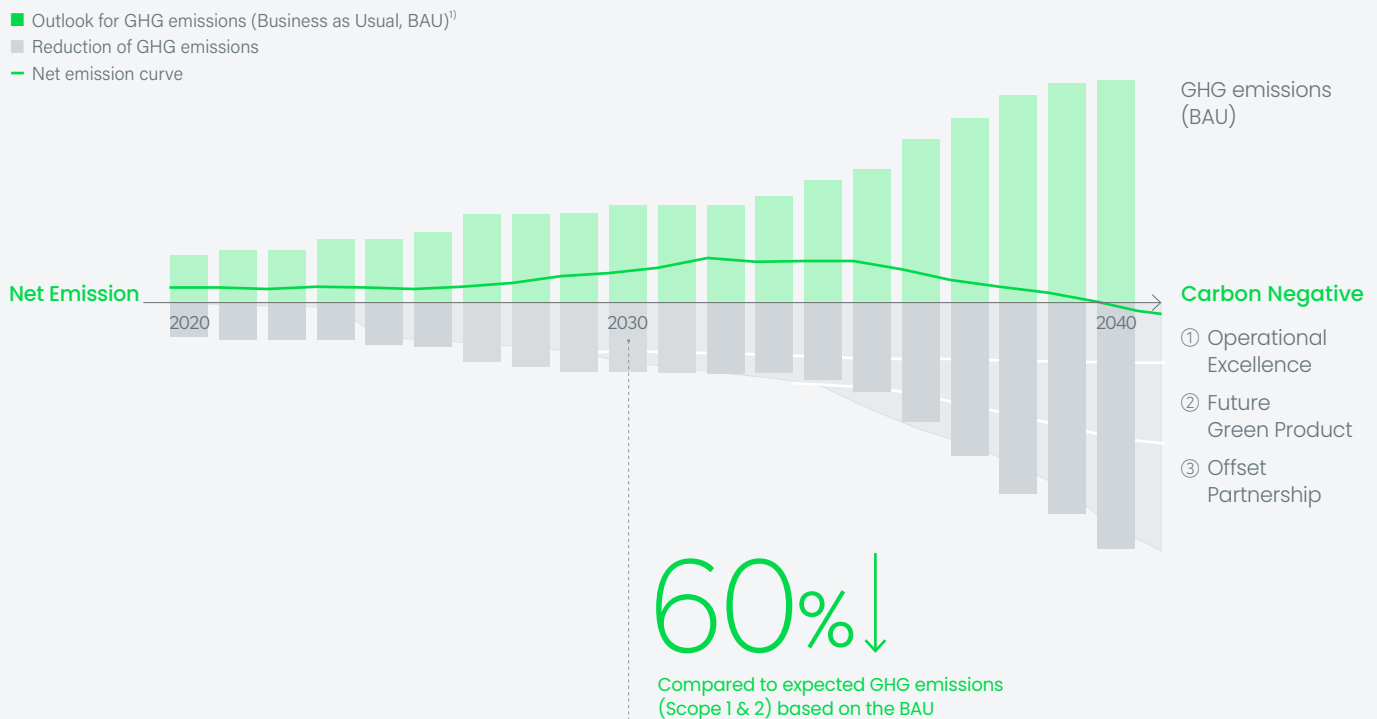
### Strengthen fair trade and business ethics management

- Upgrade the anti-corruption risk management system and information disclosure
- Continually reduce the occurrence of risks related to business ethics and compliance, and strengthen measures to be taken

In order to respond to climate change, NAVER is striving to expedite expansion of its eco-friendly business and the transition to a low-carbon economy. To this end, in 2020 we announced the goal of achieving carbon negative by 2040, under which we aim to offset more carbon than we emit. Although NAVER has data centers and offices with the world's highest level of power efficiency, we have been very active in making investments in renewable energy so as not to exacerbate operational risks due to climate change. In addition, we acknowledge that the scope of our value chain, for which we need to control environmental impacts, has been expanding in line with our business diversification. Hence, NAVER is reviewing various carbon reduction projects with our business partners and strives to take the lead in creating an eco-friendly ecosystem.

In 2021, NAVER reviewed its roadmap and detailed plans to achieve the 2040 Carbon Negative goal and set an interim goal of reducing expected greenhouse gas (GHG) emissions (Scope 1 & 2 based on its business as usual) by 60% until 2030. Going forward, we will do our utmost to continue creating stakeholder value by accelerating environmental and social improvements based on our ESG management.

## 2040 Carbon Negative



<sup>1)</sup> An emission projection estimates future emissions based on current emissions

# NAVER SUSTAINABLE FINANCE FRAMEWORK

The Sustainability Bonds will be used to finance and/or re-finance, in whole or in part, new or existing projects (“Eligible Project”) from any of the eligible project categories (“Eligible Project Categories”) listed below:



**Process for Project Selection and Evaluation**



**GREEN IMPACT GROUP (“GIG”)**

- Cash Equivalent Management
- BOD Secretariat
- Space Management
- Internal Audit
- Marketing
- Risk Management Support
- Win-Win Growth
- Legal

GIG will convene at least every 12 months to discuss and select eligible projects according to the Eligible Projects defined in this Framework. The shortlisted projects will be presented to the board and the ESG Committee for approval.

**Management of Proceeds**



- NAVER intends to allocate, over time, an amount equal to the net proceeds to finance or refinance Eligible Projects, selected in accordance with the Eligible Project Categories, and using the evaluation and selection process outlined above.
- The net proceeds from each sustainable financing transactions (SFT), such as bonds, loans and other debt-like financing structures, will be managed by NAVER’s finance team and the proceeds from each SFT will be deposited in general funding accounts and be earmarked to Eligible Projects. NAVER will maintain a register to keep track of the use of proceeds for each SFT.
- Any balance not yet allocated will be held in accordance with NAVER’ liquidity guidelines for short term time deposits or other short-term liquid instruments without investing to any high pollution activities or any projects that are in conflict with the Eligible Project Categories under the Sustainable Finance Framework (SFF).

**Reporting**



**ALLOCATION REPORTING TO INCLUDE**

- Details of each SFT that is outstanding
- Allocation per Eligible Project Categories
- Examples of projects financed by the proceeds
- Allocated amount vs. total amount (in %)

**IMPACT REPORT**

- Where possible, NAVER will report on the environmental and social impacts of the Eligible Projects. Subject to the nature of Eligible Projects and availability of information, NAVER aims to include, but not limited to, the Impact Indicators listed on the Sustainable Finance Framework.

**External Review**



- Sustainalytics was appointed as an independent third party to provide assurance on NAVER Sustainable Finance Framework and its alignment with the ICMA Green Bond Principles 2018 (“GBP”), Social Bond Principles 2020 (“SBP”), and Sustainability Bond Guidelines 2018 (“SBG”).
- The opinion from Sustainalytics (“Second-Party Opinion”) is available on NAVER’s English website.

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



# NAVER SUSTAINABILITY BOND SUMMARY

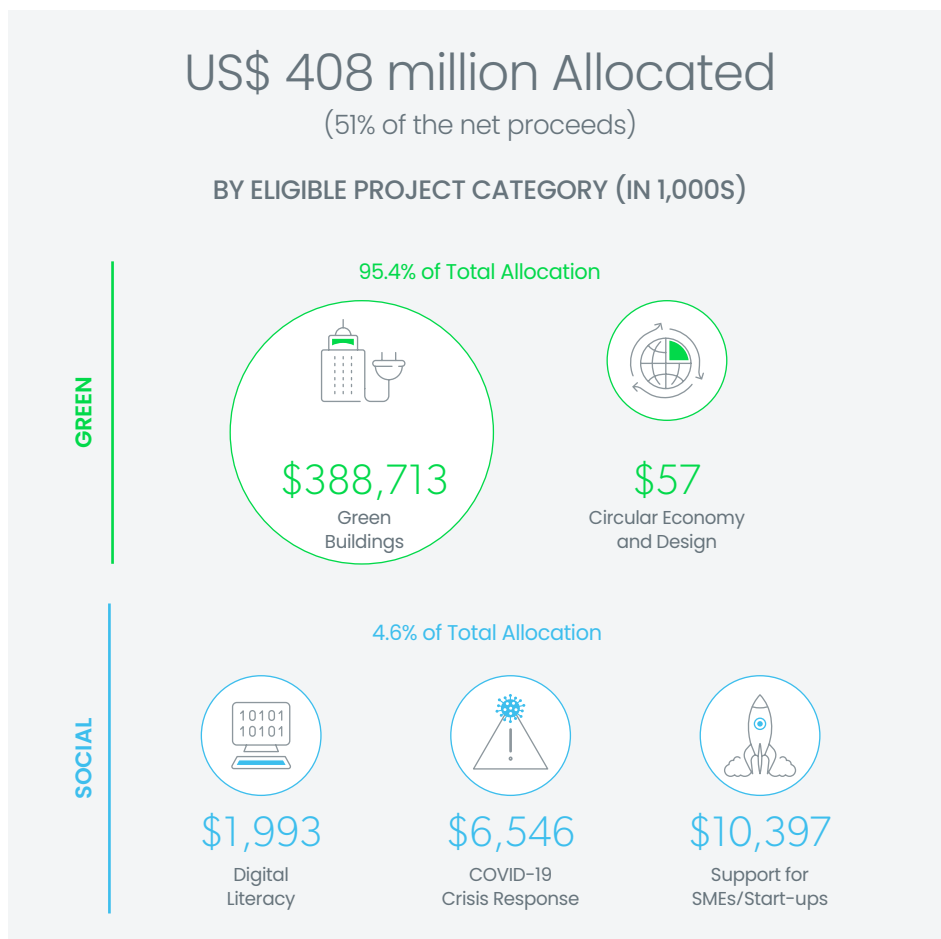
## SUSTAINABILITY BOND DUE MARCH 2026

ISSUER	NAVER CORPORATION (“NAVER”)
Issuer Ratings	A3 (Stable) by Moody’s / A- (Stable) by S&P
Format	Reg S only
Structure	Fixed Rate, Senior Unsecured
Tenor	5 Years
Issue Size	USD 800 million
Issue Date	Original Notes: USD 500mm issued on March 29, 2021 Tap Issue: USD 300mm priced on May 12, 2021
Maturity Date	29 March, 2026
Coupon	1.500%
Use of Proceeds	Net proceeds will be allocated to new and existing projects from any of the Eligible Project Categories in accordance with NAVER’s Sustainable Finance Framework.
ISIN	XS2315967989 (Tap Issue temporary ISIN: XS2338090041 – consolidated with original ISIN)
Terms	SGX Listing, New York Law

# ALLOCATION REPORT

## 2021 SUSTAINABILITY BOND ALLOCATION SUMMARY

- As of December 31, 2021, 51% of the net proceeds of Sustainability Bond, in the amount of US\$ 792,828,000, was allocated to selected Eligible Projects in accordance with NAVER's Sustainable Finance Framework
- Breakdown between new financing and refinancing:
  - New financing: US\$ 145mm (35%)
  - Refinancing: US\$ 263mm (65%)
- Management of unallocated proceeds
  - Any balance of unallocated proceeds is to be held in accordance with NAVER's liquidity guidelines for short term time deposits or other short-term liquid instruments. NAVER commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the Eligible Project Categories under the Framework
- The details of allocation are as follows:



\* Based on Bloomberg FX spot rate as of December 31, 2021

## 2021 SUSTAINABILITY BOND ALLOCATION BREAKDOWN

### Allocation by Green and Social Categories

Eligible Project Categories	Total (US\$ 1,000)	%
Green	388,770.4	95.4%
Social	18,936.1	4.6%
<b>Total</b>	<b>407,706.5</b>	<b>100%</b>

### Allocation by Key Projects

Eligible Category	Projects	Total (US\$ 1,000)	%	
<b>GREEN</b>	Green Building	1784 – NAVER's 2 <sup>nd</sup> headquarter	388,713.3	95.3%
	Circular Economy and Design	Production of eco-friendly packaging	57.1	0.014%
	GREEN SUBTOTAL		388,770.4	95.4%
<b>SOCIAL</b>	Digital Literacy	D-Commerce – E-commerce educational program for SMEs and start-ups	1,993.0	0.5%
	COVID-19 Crisis Response	Business operation support for COVID-19-stricken SMEs and start-ups	2,710.0	0.7%
		IT support for schools/SMEs	717.7	0.2%
		Cleaning/disinfection and supply of air-cleaning devices for schools	116.8	0.029%
		Support for local communities affected by COVID-19	3,001.9	0.7%
	Support for SMEs and Start-ups	D-commerce – Marketing fee subsidy	5,518.1	1.4%
		Revitalization of local restaurants	840.4	0.2%
		NAVER Shopping platform commission subsidy	2,917.9	0.7%
		IT support for schools/SMEs	1,120.3	0.3%
	SOCIAL SUBTOTAL		18,936.1	4.6%
<b>Total</b>		<b>407,706.5</b>	<b>100%</b>	

\* Based on Bloomberg FX spot rate as of December 31, 2021



# IMPACT REPORT

## 2021 SUSTAINABILITY BOND IMPACT ANALYSIS



LEED Platinum

Type of certification of  
green building



341,480

Green-certified  
package provided  
(accumulated)



372,367

Number of start-ups and  
creators that took the  
digital education program  
(accumulated)

### Selected Impact Indicators

Eligible Category		Indicators	2018	2019	2020	2021
GREEN	Green Building	Number and type of certification of green buildings	-	-	-	LEED Platinum
		Annual energy savings (in MWh p.a)	-	-	-	8,271
	Circular Economy and Design	Green-certified products used (eco-friendly packing materials of the NAVER Shopping platform)	-	-	60,000	281,480
SOCIAL	Digital Literacy	No. of start-ups and creators that took the digital education program	77,096	92,833	92,698	109,740
		No. of views for the online educational programs to learn digital skill	20,667	52,034	882,547	373,938
		Satisfaction level of educational programs to learn how to start ecommerce business (based on the survey results among attendees; scores out of 100)	90.6	92.9	93.0	90.6
	COVID-19 Crisis Response	No. of organizations supporting Happy Bean Funding to overcome the COVID-19 crisis	-	-	413	41
		No. of SMEs benefited from cloud service fee reduction	-	-	5,379	-
	Support for SMEs / Start-ups	No. of SMEs and start-ups that received support for marketing expenses	3,948	4,955	7,651	7,038
No. of new SMEs for the year supported by the Win-win Bazaars <sup>1)</sup>		261	154	125	158	

<sup>1)</sup> Based on merchants that NAVER supported in partnership with Daegu Digital Industry Promotion Agency, Gangwon Creative Economy Innovation Center, Ulsan Economic Promotion Agency, and Gyeongbuk Economic Promotion Agency among several public institutions promoting the growth of SMEs

# 2021 SUSTAINABILITY BOND IMPACT

## CASE STUDY | GREEN 1

### GREEN BUILDING



## NAVER's new office building "1784" Project won the LEED Platinum Certification

NAVER's second office building "1784," constructed in 2021, manifests NAVER's unique philosophy of energy conservation and eco-friendliness, which reaches far beyond the mere certification as an eco-friendly building. We considered eco-friendliness from the construction planning stage, and despite the shortage of space to install renewable energy facilities due to the nature of the construction site, we installed a 763.2 kW geothermal system by efficiently utilizing underground space. We also installed a 140.8 kW photovoltaic power generation facility on the rooftop. The 1784 Project was designed to reduce 37.96% of the expected annual water consumption through water-saving sanitary equipment and a heavy water treatment system. It was also designed to cut down on projected annual energy costs by 38.1% based on the standards presented by the ASHRAE (American Society of Heating, Refrigerating and Air- Conditioning Engineers) through energy-saving technologies such as a panel cooling system, a chilled water thermal energy storage system and a high-efficiency lighting system. In recognition of such efforts, NAVER obtained the Platinum grade in early 2022 from the LEED Certification which serves as global green building design and construction guidelines.

While constructing "1784," we did our utmost to minimize the negative impact both environmentally and socially. For a clean environment and safety of local residents, we took additional noise and dust reduction measures and made changes to the access roads to the construction site. We installed "noise covers" at the construction site for the first time in Korea, and in order to prevent noise and pollution during the construction, we took stricter measures than required by construction-related laws by consulting specialist on the issues of noise and scattering dust.

For more eco-friendly and safer construction site management, we even consulted overseas safety experts. As a result of such efforts, NAVER's second office building site was selected as one of the best construction sites in Korea for environmental management in 2017. In 2019, it received the Safety Management Award in recognition of the efforts made to prevent accidents and improve health and safety conditions for site workers. In September 2020, it was chosen as an "outstanding business site to promote the health of workers" for its efforts to ensure a safe and healthy environment for workers.

NAVER's second office building is a cutting-edge building with built-in robot-friendly infrastructure, such as the first 5G specialized network in Korea. We are planning to apply for 22 patents on technology, design, and features of the world's first building where cloud robot system is implemented in real life. The building can create a new and safe working environment, equipped with specialized quarantine facilities, in which employees can fully enjoy cutting-edge technology and maximize their work efficiency.



**CIRCULAR ECONOMY  
AND DESIGN**



## Supporting eco-friendly packaging materials for partners

NAVER has been operating the “NAVER Grocery Shopping Platform” service since January 2019. The service delivers fresh food ingredients, side dishes, and snacks to users’ doorsteps from traditional offline markets on the day of the order. In partnership with various organizations, NAVER has been striving to promote eco-friendly packages by providing eco-friendly bags made of 100% biodegradable resin to stores in NAVER Grocery Shopping Platform.

In 2020, we provided 60,000 eco-friendly bags to 111 markets, and distributed approximately 220,000 bags in 2021, thereby enabling us to build trust with consumers while the traditional markets benefited from eco-friendly marketing effects. The offering of eco-friendly bags was provided to 146 markets, and we helped 28 markets, including Amsa Market and Hwagok Market, improve eco-friendly services by providing them with about 60,000 eco-friendly ice packs. The eco-friendly bags and ice packs that we produce are now being used for delivery, and going forward, we plan to support the production of eco-friendly packaging that reflects various needs, such as small bags for offline use, bags for product packaging and food containers. We will also actively support the branding of partners who take part in the eco-friendly campaign, inscribing the names of the traditional market on the bags. We will strive to practice zero waste, going beyond less waste, by increasing public awareness of eco-friendly packaging.



**DIGITAL LITERACY**



## Supporting the digital transformation of SMEs through online training free of charge

Since opening “Partner Square Yeoksam”, the first Partner Square, in 2013, we have opened more Partner Squares in Busan, Gwangju, Jongno, Hongdae, and Sangsu, providing education programs and infrastructure to help SMEs and creators grow. Through interaction with our SME partners, we have identified their needs for education programs and supports in the commerce area, based on which in September 2021 we divided the existing Partner Squares into the online education platform “NAVER Business School” and the offline support space “NAVER Square” with the goal of offering more professional education services.

The online education service, NAVER Business School helps SMEs and creators achieve digital transformation and business growth by providing them with course training designed to facilitate the commencement of a digital business step by step. NAVER Business School offers training points to SMEs that have completed the courses. They can convert and use their accumulated points to NAVER Advertising’s “Biz Money” or marketing points at NAVER Smart Store. The School also provides an intensive curriculum designed directly by “NAVER Pro”, a group of our expert employees equipped with digital expertise and planning and operation experience for various services.

### Online curriculum of the NAVER Business School<sup>1)</sup>

<p><b>Starting a Business</b></p>		<ul style="list-style-type: none"> <li>• Opening and operations of NAVER Smart Store</li> <li>• Opening and operations of NAVER Smart Place</li> </ul>
<p><b>Advertising/Marketing</b></p>		<ul style="list-style-type: none"> <li>• NAVER search ad</li> <li>• Intensified online marketing</li> </ul>
<p><b>Shopping Live</b></p>		<ul style="list-style-type: none"> <li>• Beginning of Shopping Live and growth strategies</li> <li>• Shopping Live sales pitches</li> </ul>
<p><b>Business Operations</b></p>		<ul style="list-style-type: none"> <li>• Tax affairs, customer relations, finance</li> <li>• Filming and video editing</li> </ul>
<p><b>Growth of Creators</b></p>		<ul style="list-style-type: none"> <li>• NAVER eXpert courses</li> <li>• Taxation/law courses for creators</li> </ul>

<sup>1)</sup> As of March 2022

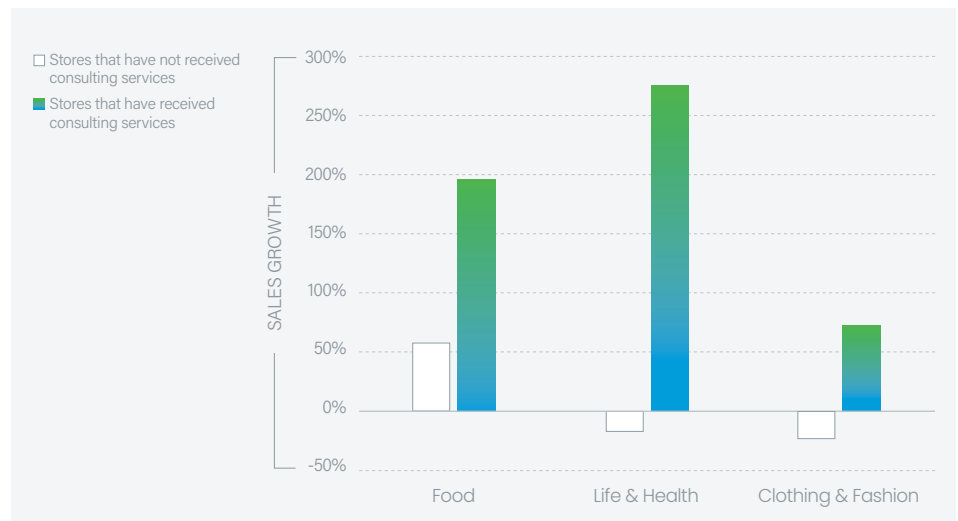
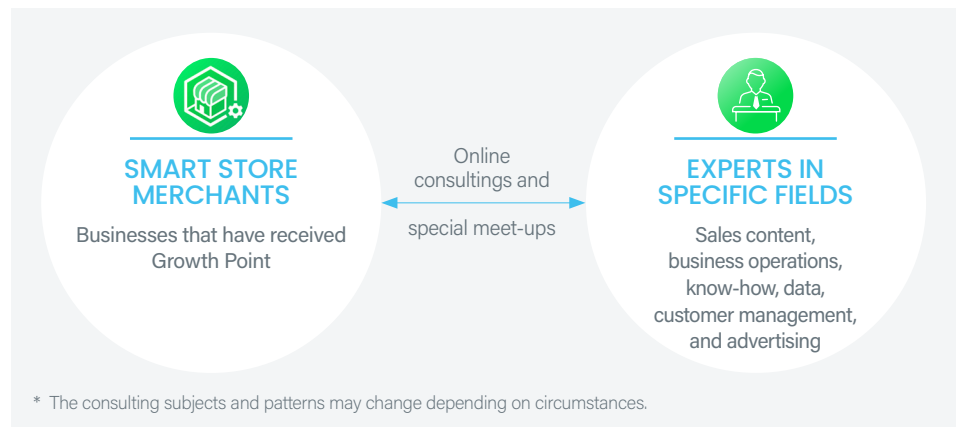
## DIGITAL LITERACY



### Offering consulting services to Smart Store merchants

NAVER has been providing consulting services, free of charge, to Smart Store merchants since June 2018. When a merchant that has acquired Growth Point<sup>1)</sup> applies for consulting services necessary for his/her business growth, Smart Store experts in the related fields conduct in-depth page diagnosis, product photo diagnosis, data analysis, and search ad suggestion, and then present measures for improvement.

The result of a survey on companies that had received free consulting service from NAVER at least once in 2020 showed that they achieved a higher rate of sales growth than those that had not. The trend was particularly prominent in the life & health category where companies that had not received consulting services experienced a 15% decrease in sales while those that had received the services showed a 278% growth.



<sup>1)</sup> Growth Point is given to merchants that meet the threshold of the average monthly transaction amount among those that have operated for less than a year from the date of approval for their business at Smart Store. It can be used as marketing points at Smart Store or NAVER search ad Biz Money.

## COVID-19 CRISIS RESPONSE

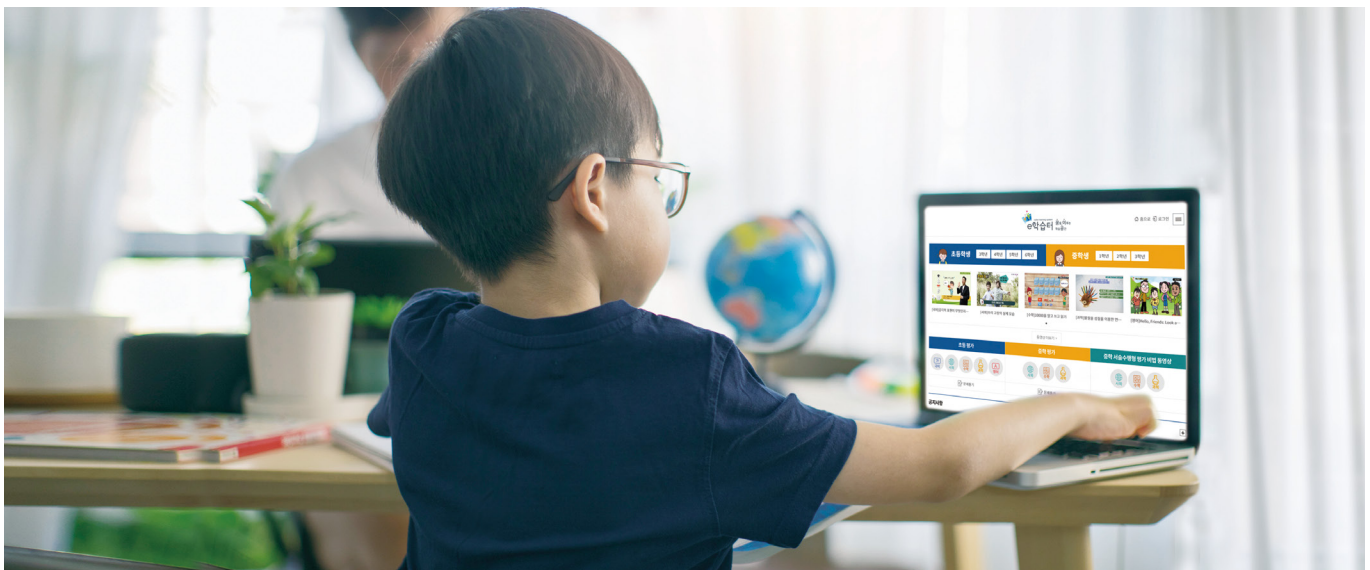


### Supporting infrastructure for distance learning

NAVER Cloud has been working together with Korea Education & Research Information Service (KERIS) since the first half of 2020, in order to provide a stable and seamless public education cloud service in response to online school opening due to COVID-19. We built the “e-Learning Center” that could connect up to three million students simultaneously within a month and operated a 24-hour monitoring system, in our efforts to support successful online school reopening and effective educational services.

The video class system was developed to enable real-time interactive teaching and learning activities so that teachers could conduct classes smoothly while students pursue practical learning. Through on-site monitoring, the e-Learning Center’s video class system was able to introduce different functions to conveniently display and utilize various digital and analog learning materials, along with basic attendance check and learning status management, beyond the level of simply talking face-to-face. In addition, the e-Learning Center has also developed and provided a variety of interactive features such as chat, survey, quiz, and OX response features so that students can immerse themselves in class and interact with one another even if they are remote. At the end of 2020, the number of e-Learning Center subscribers was estimated at about 3.72 million<sup>1)</sup>.

<sup>1)</sup> Source: The Ministry of Education



**SUPPORT FOR SMEs**



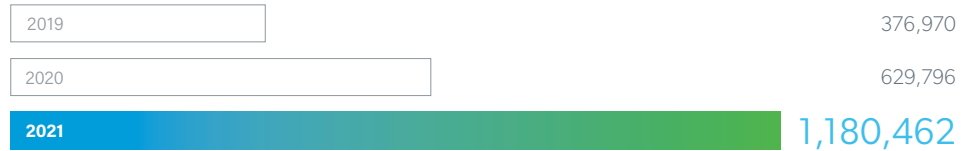
**Helping SMEs to build online sales channels**

NAVER has been helping local micro-, small- and medium-sized enterprises to enter online marketplaces since 2012. Starting with the Seoul Business Agency, we have partnered with several public institutions, including Gyeonggi Technopark and Daegu Digital Industry Promotion Agency, to help local SMEs having difficulties in marketing to find online sales channels through Smart Store.

When SMEs in each region build an online shopping mall through the aforementioned public institutions, NAVER offers benefits such as online business education, banner exposure, and NAVER Shopping platform commission subsidy. SMEs often face difficulties due to limited marketing channels and marketing capabilities even if they make good products. NAVER will therefore continue to provide them financial supports such as fee discounts as well as various opportunities to increase their market accessibility. Such efforts have led to sales growth of SMEs, which in turn is expected to revitalize local economies.

**Total transaction amount of supported SMEs**

(Unit: KRW million)

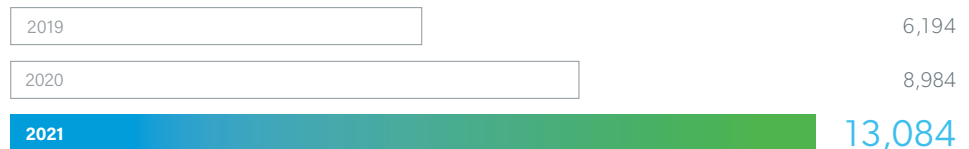


**Amount of fee subsidy**

(Unit: KRW million)



**Accumulated number of supported SMEs**



**NAVER**

**Embracing  
Sustainability for  
Growth**

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March 2022

**NAVER Green Impact Group**