

Sustainable Finance Framework

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NAVER

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1. Introduction

Overview of NAVER

NAVER Corporation (“NAVER”, or the “Company” and together with its subsidiaries, the “Group”, “we”, “us”, “our”) is a global ICT brand that operates a dominant Search Platform in South Korea and provides other key services across Commerce, Fintech, Contents, and Cloud.

Supported by our long-invested AI technologies, NAVER possesses an unparalleled domestic user base in Search Platform and Commerce segments, which supplements the competitiveness of our Fintech business, NAVER Financial. Moreover, NAVER is expanding its presence into the global market through a wide range of services, including NAVER Webtoon (the most popular webtoon application serving 67MM monthly active users across 100+ countries) and other renowned platforms such as V Live, SNOW, and Zepeto. We are also providing cloud and IT infrastructure solutions as one of the largest Internet Data Center operators in South Korea.

Our continued focus in the development of state-of-the-art technologies across AI, robotics, mobility, and other future technology trends are propelling NAVER forward, in pursuit of the transformation and innovation of technology platforms. We also remain devoted to a paradigm of sustainability, shared growth, and joining hands with users and partners from the global community.

NAVER is one of the top 10 constituents for MSCI ESG Korea Leader Index as of January 2021. In 2020, we were selected as one of the Forbe’s World’s Best Employers (#37 in ranking, ranks third among South Korean companies), and ranked 33rd in Fortune’s the Future 50. In addition, we were ranked as the 9th most innovative company by Forbes in 2018.

Embracing Sustainability through ESG

NAVER aims to grow with all its stakeholders, including users, employees, investors & shareholders, partners, communities, and the government. We are committed to create a sustainable future by closely communicating and cooperating with all of our stakeholders. Based on such belief, NAVER announced a refined ESG strategy and established an ESG committee under the Board in 2020. We will continue to implement dedicated ESG measures which can be a competitive edge of NAVER and help minimize risks. Below ESG approaches will scale the social impacts and empower our green platform for the future.

Environment 	Social 	Governance & Trust 
<ul style="list-style-type: none"> • Reduce our carbon footprint while promoting circular economy for the sustainable growth • Commit to Carbon Negative by 2040 through achieving operational excellence, adopting future green products, and engaging in offset partnerships 	<ul style="list-style-type: none"> • Protect human rights, and promote diversity and inclusion • Pursue a technological evolution that will connect people, space, and information • Support for the sustainable success of SMEs and creators 	<ul style="list-style-type: none"> • Committed to transparent and stable governance structure • Analyze potential risks across economic, social, environmental aspects and react preemptively • Reinforce data security, protect privacy, and ensure freedom of speech


Our dedication to ESG has led to several major sustainability achievements in 2019 and in 2020 including, but not limited to:

- Received a Best rating at the “Win-Win Index Evaluation⁽¹⁾” for the fourth consecutive year in 2020
- Chosen as the “Best Honorary Company” in 2019 for the first time as an Internet platform business
- Achieved A ratings in Korea Corporate Governance Service review with A+ ratings in governance
- Won Best Corporate Governance Report Award in 2020 from Korea Exchange (KRX)

Moreover, we strongly support the Sustainable Development Goals (“SDGs”) for the sustainable development of the world by leveraging NAVER’s platforms and technologies.

UN SDGs		NAVER’s Activities	
Quality Education 	4.4	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	<ul style="list-style-type: none"> • Contribute to address AI/Data digital literacy through Connect Foundation
	Gender Equality 	5.5	Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
Affordable and Clean Energy 	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix	<ul style="list-style-type: none"> • Energy savings through renewable energy adoption
	7.3	By 2030, double the global rate of improvement in energy efficiency	<ul style="list-style-type: none"> • Continued efforts to improve energy efficiency in workplace
Decent Work and Economic Growth 	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	<ul style="list-style-type: none"> • Support digital transformation and financial services to SMEs • Promote entrepreneurship through D2SF, a startup accelerator program
	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	<ul style="list-style-type: none"> • Hire youth with developmental disabilities by establishing a social enterprise, N Visions • Forbid discrimination on salary based on gender
Responsible Consumption and Production 	12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	<ul style="list-style-type: none"> • Creation of eco-friendly environment through joint efforts by NAVER and its stakeholders
	12.6	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	<ul style="list-style-type: none"> • Introduction of sustainability measures taken by the Company through ESG report publication

¹ The Win-Win Index quantifies the level of shared growth achieved by domestic companies, based on “SME Sensory Level Survey” results of the Commission on Shared Growth and “Evaluations of Fair Trade Agreement Practices” of the Fair Trade Commission

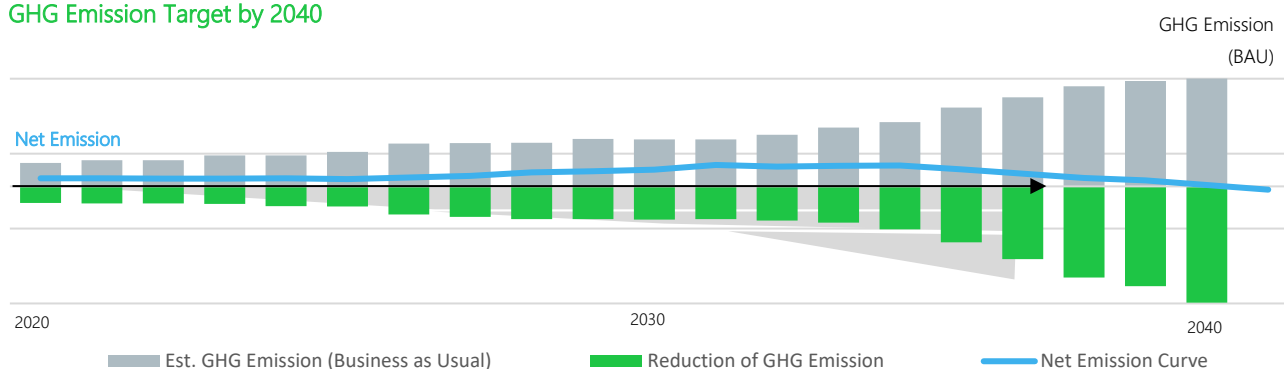
	12.8	By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	<ul style="list-style-type: none"> Promote campaigns for sustainable lifestyles through NAVER’s search portal 	
Climate Action 	13.3	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	<ul style="list-style-type: none"> Optimization of ESG governance and relevant strategies to achieve 2040 Carbon Negative goals 	
		16.5	Substantially reduce corruption and bribery in all their forms	<ul style="list-style-type: none"> NAVER Integrity Code is served and being implemented by all employees Implement corruption and irregularities evaluation system and promote “Self-check” monitoring system Operate Risk Management Committee
Peace, Justice and Strong Institutions 		16.10	Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements	<ul style="list-style-type: none"> Ensure access to information, digital safety, and freedom of speech

Carbon Negative Plan by 2040

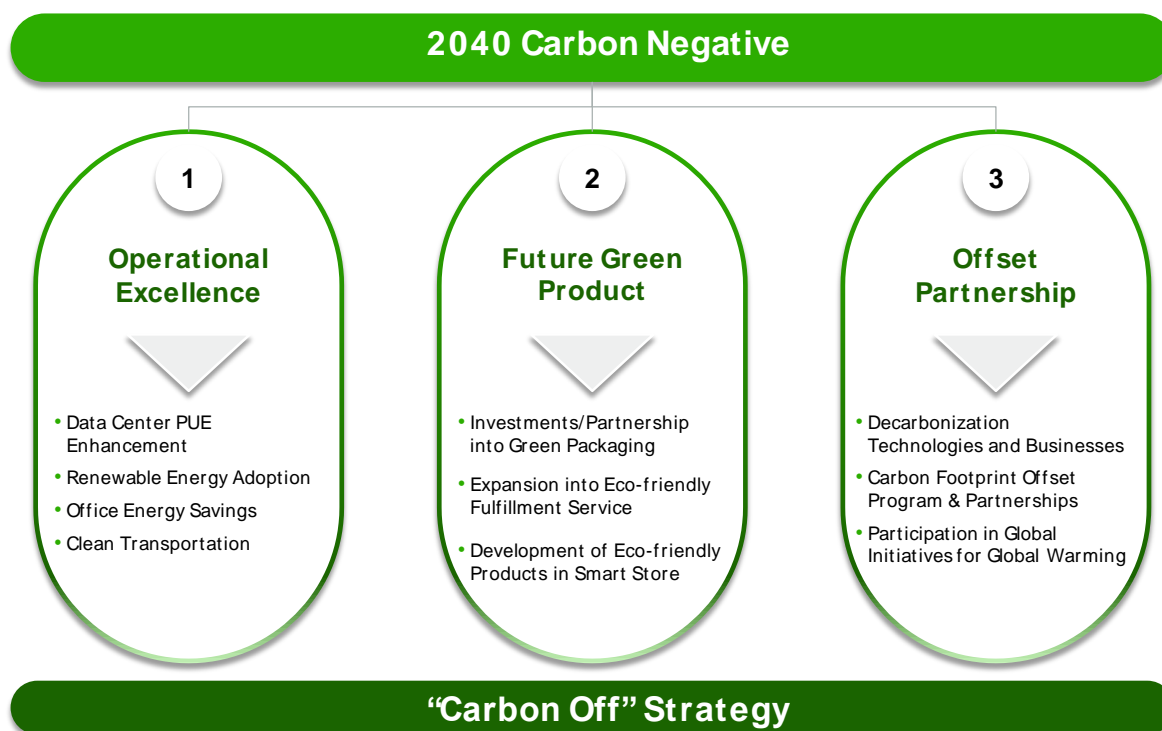
At NAVER, we value people and the environment above all else in order to achieve sustainable growth. We believe that the technological development cannot replace people and the environment. Instead, serving and protecting them is the goal as the Company evolves into a technological platform. As such, NAVER has made various commitments such as constructing LEED Platinum certified green buildings and data centers, achieving global standard PUE, and increasing renewable energy generation and consumption.

In 2020, we took a major step forward. NAVER pledged to the GHG reduction plan to reach a Carbon Negative status by 2040. We believe this pledge will help minimize operational risks arising from the global warming while solidifying our leadership in sustainability.

GHG Emission Target by 2040



To achieve this goal, NAVER will seek operational excellence in the course of daily business through energy efficiency, renewable energy, and clean transportation. Also, we will further invest into future green products and decarbonization technologies, as well as engage in global initiatives and various partnerships. Details of three core strategies to become Carbon Negative Company are outlined as below:



2. NAVER’s Sustainable Finance Framework

This Sustainable Finance Framework (“SFF” or the “Framework”) has been developed to detail how the Group and its subsidiaries intend to issue sustainable financing transactions (“SFT”) to fund projects and developments that will deliver environmental and/or social benefits to support NAVER’s business strategy and sustainability vision, particularly those related to building a healthy ecosystem in which all stakeholders can grow together using on/offline spaces all connected by NAVER.

SFTs are defined as bonds, loans and other debt-like financing structures where an equivalent amount to the net proceeds are applied to eligible green and/or social projects (“Eligible Projects”) as defined in this Framework.

- Bonds issued under the Framework will be aligned with the ICMA Green Bond Principles 2018 (“GBP”), Social Bond Principles 2020 (“SBP”), and Sustainability Bond Guidelines 2018 (“SBG”) or as they may be subsequently amended
- Loans issued under the Framework will be aligned with the LMA / APLMA / LSTA Green Loan Principles 2020 (“GLP”) or as they may be subsequently amended

SFTs do not place restrictions on the tenor and currency and can include other terms and conditions including covenants, to reflect the financing strategy and plans of NAVER as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.










SFTs may be issued in any jurisdiction and market reflecting NAVER’s current and future business needs.















Each SFT will adopt procedures for managing (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in the Framework. This Framework may be updated to ensure continual alignment with market practices, emerging standards and classification systems.

2.1 Use of Proceeds

An equivalent amount to the net proceeds from each SFT will be used exclusively to finance or refinance, in whole or in part, the acquisition, construction, development or re-development of new or existing Eligible Projects that meet one or more of the following categories of eligibility as recognized in the GBP/SBP/SBG/GLP. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. NAVER is committed to fully allocate the net proceeds of each SFT on a best effort basis within 24 months of issuance.

The Eligible Project categories that may be utilized under the Framework, together with associated selection criteria (“**Eligibility Criteria**”) are set out below.

Eligible Green Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
<p>Energy Efficiency</p> 	<ul style="list-style-type: none"> Expenditures related to energy-efficiency projects including operational improvements and design, construction, operation, and maintenance of energy-efficient facilities and infrastructure, examples include: <ul style="list-style-type: none"> Data centers that are expected to achieve Power Usage Effectiveness (PUE) less than 1.5; HVAC upgrades, cooling technology, LED lighting upgrades, energy-saving materials, use of intelligent management technology or other expenditures to improve energy efficiency by at least 15% when compared to relevant baseline. 	
<p>Green Buildings</p> 	<ul style="list-style-type: none"> Expenditures related to new construction, upgrades, and build out of properties that have received or are expected to receive: <ul style="list-style-type: none"> LEED ‘Gold’ certification or above; Green Standard for Energy and Environmental Design (G-SEED) ‘Green 2’ or above; BREEAM ‘Very Good’ certification or above; Other equivalent internationally and/or nationally recognized certifications. 	 
<p>Renewable Energy</p> 	<ul style="list-style-type: none"> Expenditures related to renewable energy projects or the purchase of renewable energy, such as solar, wind, geothermal ≤100g CO₂e/kWh, including but not limited to: <ul style="list-style-type: none"> On-site facilities; Associated energy solutions including battery storage installations. 	
<p>Sustainable Water Management</p> 	<ul style="list-style-type: none"> Expenditures related to rainwater collection systems, water conservation systems and water recycling systems 	

Eligible Green Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
<p>Circular Economy and Design</p> 	<ul style="list-style-type: none"> Expenditures related to projects that increase waste diversion from landfill including: <ul style="list-style-type: none"> R&D related to sustainable packaging that minimizes environmental impact from non-biodegradable packaging or over-packaging; Reducing waste generation from the construction and operation of offices, data centers and other properties. 	
<p>Clean Transportation</p> 	<ul style="list-style-type: none"> Expenditures related to procurement, maintenance and operation of electric vehicles (EV), bicycles, and associated infrastructure. Example projects may include, but are not limited to: <ul style="list-style-type: none"> Procurement of EVs; Installation of EV charging stations. 	
Eligible Social Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
<p>Digital Literacy</p> 	<ul style="list-style-type: none"> Expenditures related to support for SMEs, start-ups and creators who do not have access to essential digital technologies including Internet, e-commerce, payment system, cloud service, or other technologies. Examples may include but not limited to: <ul style="list-style-type: none"> Provide educational programs on digital technologies; Assist through technologies and NAVER's platforms to help owners grow their skills and adopt digital transformation. 	
<p>COVID-19 Crisis Response</p> 	<ul style="list-style-type: none"> Expenditures related to fight the COVID-19 pandemic, including but not limited to: <ul style="list-style-type: none"> Financing for SMEs who are affected by COVID-19; Provide technical support to SMEs, schools, creators and entrepreneurs which are impacted by COVID-19; Purchases and distribution of medical equipment, and health, safety, and hygiene supplies. 	 
<p>Support for SMEs / Start-ups</p> 	<ul style="list-style-type: none"> Expenditures related to support for SMEs and start-ups owned by social minorities including single mother, women with career breaks, disabled, and low-income population, or those located in regions with GDP below the national average. Examples may include but not limited to: <ul style="list-style-type: none"> Funding participation in start-ups and entities owned or operated by social minorities; Provide essential IT infrastructure, office space, consulting and marketing services to support their businesses. 	
<p>Employment of Women and Youths</p> 	<ul style="list-style-type: none"> Expenditures focused on promoting employment of software developers or engineers by under-represented communities including women and job-seeking youths in suburban or rural areas. Example projects may include but not limited to: <ul style="list-style-type: none"> Training to develop and advance coding and software skills; Funding to help the communities' access to education, essential equipment, and IT infrastructure in NAVER's developer ecosystem. 	 

2.2 Project Evaluation and Selection

NAVER imposes a strict environmental and social risk management policy during its normal course of business.

The Eligible Projects are identified and selected via a process that involves participants from various functional areas. A Green Impact Group (“GIG”) has been set up, which will comprise of NAVER’s departments as follows:

- 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.

GIG will ensure that the selected Eligible Project will comply not only with the Use of Proceeds section of this Framework but also with the environmental guidelines which are applicable for NAVER.

In addition, GIG will be responsible for managing any future updates of the Framework.

2.3 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 eligibility criteria, and using the evaluation and selection process outlined above.

The net proceeds from each SFT 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.

The register will contain the following information:

1. Type of Funding Transaction:

- Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

2. Allocation of Use of Proceeds:

- Name, description and certification of Eligible Projects to which the proceeds of the SFT have been allocated in accordance with this Framework
- Amount and date of SFT proceeds allocated to each project
- The remaining balance of unallocated proceeds yet to be earmarked
- Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Projects will be held in accordance with NAVER' 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 eligibility criteria under the SFF.

During the life of the SFT issued, if the designated Eligible Projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to alternative Eligible Projects that comply with the eligibility criteria, as soon as reasonably practicable. NAVER strives to maintain an amount of Eligible Projects at least equal of the total net proceeds of all SFT outstandings.

Additionally, if any material and critical controversies emerge in relation to a specific project, NAVER commits to substitute that project with an alternative Eligible Project.

2.4 Reporting

NAVER will disclose information on the allocation of the net proceeds from each SFT in the NAVER's Annual Report or website. Such information will be provided on an annual basis until all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

The information disclosed will contain the following details:

Allocation Reporting

- Details of each SFT that is outstanding
- Aggregate amount of proceeds from each SFT that has been allocated to Eligible Projects
- Share of financing vs refinancing
- Balance of unallocated proceeds from each SFT
- Examples of Eligible Projects (subject to confidentiality disclosures):
 - The aggregate amount allocated to various Eligible Projects
 - The remaining balance of funds which have not yet been allocated and type of temporary investment

Impact Reporting

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 following Impact Indicators:

Eligible Green Project Categories	Impact Indicators
Energy Efficiency	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (t CO₂ eq p.a.) Annual energy savings (MWh p.a.) Trailing 12-month PUE
Green Buildings	<ul style="list-style-type: none"> Number and type of certification of green buildings Annual energy savings (MWh p.a.)
Renewable Energy	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (t CO₂ eq p.a.) Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Circular Economy	<ul style="list-style-type: none"> Waste prevented, minimized or reused (tons) Green-certified products used (#)
Clean Transportation	<ul style="list-style-type: none"> EV charging ports installed (#) EV purchased (#)
Sustainable Water Management	<ul style="list-style-type: none"> Annual absolute (gross) water recycled and reused in m³ p.a. Annual absolute (gross) water use before and after the project in m³ p.a., reduction in water use in %
Eligible Social Project Categories	Impact Indicators
Digital Literacy	<ul style="list-style-type: none"> Number of SMEs, start-ups, and creators that gained access to essential digital technologies (#) Amount deployed to provide educational programs for digital transformation and essential digital technologies
COVID-19 Crisis Response	<ul style="list-style-type: none"> Number of impacted groups financed (#) Amount deployed to provide technical support Amount of medical equipment and health, safety and hygiene supplies purchased
Support for SMEs and Start-ups	<ul style="list-style-type: none"> Number of SMEs and start-ups supported (#) Number of jobs created (#) Number and type of social minorities supported (#)
Employment of Women and Youths	<ul style="list-style-type: none"> Number of women and youths trained (#) Number of women or youths employed as developers (#) Amount deployed to provide training and technical supports

The Sustainable Financing Report will be publicly available via annual updates on NAVER's website. NAVER may also make disclosure through other channels where feasible, such as annual ESG reports or annual reports, which will also be published on the company website.

2.5 External Review

NAVER has engaged Sustainalytics to provide an External Review in the form of a Second Party Opinion on the Framework and to confirm the alignment with the GBP/SBP/SBG/GLP. The External Review has been made public on NAVER's website at: <https://www.navercorp.com/en/investment/sustainableFinanceFramework>.

3. Appendix

3.1 Definition of SME

Under the Enforcement Decree of the Framework Act on Small and Medium Enterprises⁽²⁾, a small and medium enterprise shall be a business entity that meets all the standards set forth in the following subparagraphs:

- The main type of business in which the business entity is engaged and its average sales or annual sales (hereinafter “average sales, etc.”) shall meet the standards set forth in Table 1 of the Decree
- A corporation whose total assets are less than 500 billion won;
- A business entity whose actual separation of its management and ownership does not fall under any of the following:
 - A company that belongs to a conglomerate subject to restrictions on mutual investment, etc. under Article 14 (1) of the Monopoly Regulation and Fair Trade Act (hereafter “conglomerate subject to restrictions on mutual investment, etc.” in this subparagraph) or a company notified as a company incorporated as an affiliate into a conglomerate subject to restrictions on mutual investment, etc. pursuant to Article 14-3 of the same Act
 - A corporation whose total assets are at least 500 billion won (including a foreign corporation, with the exception of a non-profit corporation and the one falling under any of the subparagraphs in Article 3-2 (3)) which is the largest shareholder, directly or indirectly owning 30 percent or more of the total outstanding stocks, etc. The largest shareholder referred to in such cases means a corporation or an individual owning the largest share of the relevant company independently or jointly with any of the following, and Article 2 (2) of the Enforcement Decree of the Adjustment of International Taxes Act shall apply mutatis mutandis to the calculation of the ratio of indirectly owned outstanding stocks, etc.:
 - If the shareholder is a corporation: Executive officers of the corporation;
 - If the shareholder is an individual who does not fall under (i): Relatives by blood of such individual
- In the case of a corporation belonging to a related company, a corporation whose average sales, etc. calculated according to Article 7-4 does not satisfy the standards under Table 1 in the Decree
- A company which is excluded from the scope of a conglomerate under the control of the same person pursuant to Article 3-2 (2) 4 of the Enforcement Decree of the Monopoly Regulation and Fair Trade Act and no more belongs to a conglomerate subject to restrictions on mutual investment, etc., and for which three years have passed from the date it meets the requirements under Article 3 of the same Enforcement Decree

² https://elaw.klri.re.kr/kor_mobile/viewer.do?hseq=51308&type=part&key=28

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