

GS E&C

Sustainable Financing Framework



August 2020

Table of Contents

1. Introduction	3
1.1 Company Overview.....	3
1.2 Sustainability strategy and vision	3
1.2.1 Environmental initiatives	4
1.2.2 Social initiatives.....	5
1.2.3 Governance initiatives	6
1.2.4 Sustainability reporting	6
1.2.5 United Nations Sustainable Development Goals (“SDG”)	6
2. GS E&C Sustainable Financing Framework Overview	8
2.1 Use of Proceeds	9
2.1.1 Eligible Green Project Categories.....	9
2.1.2 Eligible Social Project Categories	11
2.1.3 Exclusions.....	11
2.2 Process for Project Evaluation and Selection.....	11
2.3 Management of Proceeds	12
2.3.1 Type of Funding Transaction.....	12
2.3.2 Allocation of Use of Proceeds	12
2.4 Reporting	13
2.4.1 Allocation Reporting.....	13
2.4.2 Impact Reporting.....	13
3. External Review	14
Appendices	15

1. Introduction

1.1 Company Overview

GS Engineering & Construction (“GS E&C”) is a leading engineering and construction company based in South Korea. Established under the name “Lucky Development Co., Ltd.” in 1969, GS E&C changed its title to the current name in 2005. Since its establishment, GS E&C has continuously grown to become a global player, boasting a global network of 24 overseas subsidiaries and branches in 16 different countries* with extensive experience in complex projects. GS E&C was ranked 22nd among international 250 construction companies by ENR (Engineering News Record).

GS E&C has business in the following sectors:



Architecture & Housing

Developing a variety of projects eg. homes, office buildings, hospitals and educational facilities

Plant

Building of gas terminals, refineries, and environmental waste treatment facilities

Infrastructure

Undertaking public infrastructure projects such as highways, bridges and metro systems

Distributed Energy

Construction of power plants and grids with increasing focus on power from renewable sources

With decades of know-how and technological prowess, GS E&C is capable of executing large-scale projects in all their business lines both domestically and overseas.

GS E&C continues to grow and expand, seeking new markets where it can add value. Some notable recent highlights of their expansion include:

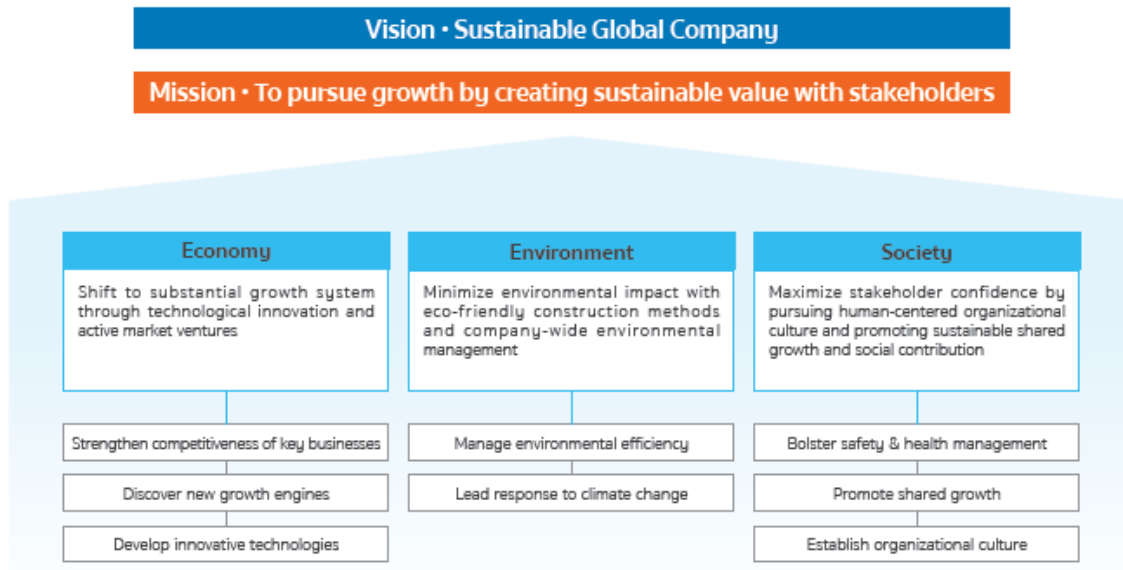
- In January 2020, GS E&C acquired two advanced overseas modular construction companies in order to develop and implement more efficient construction methods.
- In January 2020, GS E&C announced it will invest KRW 100 billion into a battery recycling facility in Pohang, South Korea where it will recycle EV batteries.
- In December 2019, GS E&C commenced construction of a 300MW photovoltaic power plant development project in India with the goal to enter into India's and the surrounding region's renewable energy market.

*As of [March 2020]

1.2 Sustainability strategy and vision

GS E&C's management philosophy is founded on the strong commitment to achieve sustainable development through social responsibility. GS E&C has established a company-wide sustainability management strategy to provide the best value to not only customers, but all of our

stakeholders. The strategy is pursued by our subsidiaries and partners as well as the top management and dedicated organizations. Under the corporate vision to become a “Sustainable Global Company,” GS E&C manages the economic, environmental and social value categories created by our entire business process in accordance with our strategy system. GS E&C will continue the effort to achieve our sustainable development and that of society as a whole by actively communicating with a wide range of stakeholders including our business partners and members of society.



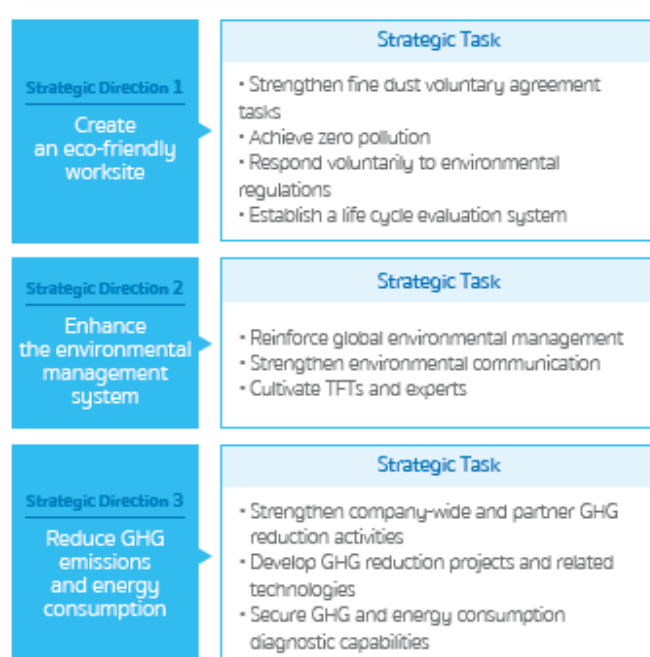
Source: GS E&C 2019 Integrated Report

GS E&C's Sustainability Management Initiatives include:

- Participant of the UN Global Compact since 2010
- Incorporated into the DJSI World and Asia Pacific for the 4th year and 10th year in a row, respectively
- Compliance with ISO 26000 (Social Responsibility Standard)
- Member of the Carbon Disclosure Project. In 2019, GS E&C got Class B (Management Level) in the area of Climate Change sector
- Receiving annual ESG evaluations from Korea Corporate Governance Service. In 2019, GS E&C got Class A in the area of the governance and social responsibility and Class B+ in the area of the environmental responsibility, receiving the overall Class A.

1.2.1 Environmental initiatives

GS E&C implements environmental management strategies with the Green Environment Team, an organization in charge of systematic environmental management promotion. They have established long-term environmental management goals and strategies and are committed to fulfilling long-term environmental response goals. Three major strategic directions and ten strategic tasks were established to create eco-friendly business sites, strengthen the environmental management system and reduce greenhouse gas and energy consumption of GS E&C.



Source: GS E&C 2019 Integrated Report

Some of GS E&C's environmental goals include:

- Targeting to reduce the direct and indirect greenhouse gas emissions by 31.86% by 2050 from BAU (Business As Usual)¹
- Developing optimal energy-efficient building design technology with a goal to disseminate green buildings and green homes with reduced energy consumption.
- Developing green concrete, which reduces the amount of cement used in its production.
- Systematically managing waste generated from construction sites by monitoring waste generation in real-time by connecting the legal waste disposal system with the in-house construction waste management system.
- Striving to achieve a recycling rate of 90% in 2020 by reducing the amount of wastes (both water and construction waste) generated by establishing internal recycling procedures for construction waste and setting up management guidelines.²

1.2.2 Social initiatives

GS E&C encourages its partners to fulfill their social responsibilities by assessing partners regularly. If a partner is found to have deficiencies in their operations, GS E&C takes disciplinary action, including permanently taking a company off its list of partners if the company fails to make improvements following GS E&C's warning. Additionally, GS E&C is implementing the TCP (Triangle Cooperation Program), which is a system to promise fair transaction and cooperation

¹ BAU baseline year is 2018. 2019 total GHG reduction: 8,550 tCO₂e

² 2019 recycling rates- Construction waste: 97%, Wastewater: 27.6%

by entering into an agreement with small and medium businesses to provide them with support such as direct/indirect financial support, improvement of payment terms and training programs for partners.

As for other community engagement, GS E&C operates volunteer groups which perform a wide range of social contribution activities and has partnered with several NGOs such as Save the Children (scholarships) and Good Neighbors (sanitary pad support for low-income families) to provide support for those in need. In 2019, a total of KRW 5.545 billion was invested in social contribution activities.

1.2.3 Governance initiatives

GS E&C established a governance system based on transparency, soundness and safety and is operating the system with the aim to improve the corporate value in the long run. GS E&C's governance was established centered on the Board of Directors ("BOD"), the highest decision-making body. By operating subcommittees under the BOD, GS E&C is improving the expertise and efficiency of the BOD's decision-making process.

Subcommittees are organized with outside directors as key members. The Audit Committee and Outside Director Candidate Recommendation Committee are operated within the BOD and the Sustainability Management Committee and the Committee on Internal Transactions are operated as external organizations of the BOD. Each committee comprises of outside directors as the majority of the members to ensure independence. All members of the Audit Committee and the Sustainability Management Committee are outside directors.

1.2.4 Sustainability reporting





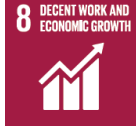






GS E&C publishes an integrated report each year to transparently disclose both financial and non-financial information to all stakeholders. The report covers the performance of the head office and 190 business sites in Korea and abroad as well as the major parts of the supply chain.




In an effort to enhance the integrity of the report, financial information is based on K-IFRS (Korean version of the International Financial Reporting Standards) and non-financial information is jointly reported with the data for the Dow Jones Sustainability Index (DJSI). The reporting standard is based on the GRI (Global Reporting Initiative) Standards Guidelines Core Option.

1.2.5 United Nations Sustainable Development Goals ("SDG")

GS E&C has been part of the United Nations ("UN") Global Compact since 2010 and is committed to making the Global Compact and its principles part of GS E&C's strategy, culture and day-to-day operations of the company. GS E&C supports the UN SDGs and has identified the following SDGs that align with its business.



SDGs		
	3. Good health and well-being	GS E&C values the safety of employees, partners and stakeholders at every step of the value chain. GS E&C takes special precautions to ensure safe worksites but are also developing eco-friendly technologies for the well-being of the wider community,
	4. Quality education	GS E&C continually seeks to foster talents by operating a human resource development system that seeks to cultivate leadership, job and global expertise. Additionally, GS E&C operates volunteer groups that partner with NGOs to provide scholarships and education programs.
	5. Gender equality	GS E&C understands the need to empower female employees/ managers and provides support to cultivate female leadership. GS E&C aims to secure more women in senior management positions in the long term by developing and identifying talented women.
	7. Affordable and clean energy	Affordable and clean energy is a key component to help communities grow and GS E&C is leading the way by expanding into solar power project development as well as pioneering new technologies for more energy-efficient buildings.
	8. Decent work and economic growth	GS E&C values the safety of employees at construction site and partners, and the health and safety values of stakeholders. We focus not only technologies that incorporate eco-friendly technologies but also on activities that mitigate hazardous materials and atmospheric environmental issues.
	9. Industry, innovation and infrastructure	GS E&C continues to innovate and find new technologies for sustainable growth in the construction sector. For example, GS E&C is using drones and high tech laser/radar scanners to improve safety management and efficiency at work sites.
	10. Reduced inequalities	GS E&C manages the internal HR system to guarantee diversity and equal opportunity for all employees both domestic and foreign. By providing a level playing field, GS E&C is striving to reduce inequalities in its sphere of influence
	11. Sustainable cities and communities	Increasing trust and brand value through Housing and Infrastructure project is GS E&C's mission. GS E&C strives to contribute to sustainable urban development through activities that can be part of solving social issues related to housing.
	12. Responsible consumption and production	By implementing various programs and technology, GS E&C aims to be a more responsible producer in the construction space. Using technology to reduce waste and recycling construction waste are just some of the ways GS E&C seeks to achieve this goal.
	13. Climate action	GS E&C responds to climate change by promoting eco-friendly activities with a long-term goal to reduce greenhouse gas emissions. GS E&C is continually developing new technologies to improve construction efficiency, to build energy efficient buildings and established a green procurement system.
	14. Life below water	As part of reducing overall waste, GS E&C has implemented wastewater treatment and recycling technologies to its worksites. As a result, wastewater recycling rate increased from 9.8% (2018) to 27.6% (2019). GS E&C targets to achieve 30+% water recycling rate by 2050.

	15. Life on Land	All construction sites are subject to environmental impact assessment to minimize impact to wildlife on or near the construction site. If there are potential impacts, steps are taken to reduce disruption to native species (eg. banning night work for the benefit of native nocturnal animals).
	16. Peace, justice and strong institutions	In order to strengthen internal governance and increase transparency, GS E&C's governance is centered around the Board of Directors. Subcommittees such as Audit and Sustainability Management are comprised entirely of outside directors. Outside directors always outnumber internal directors on the Board and outside directors are vetted to ensure their independence.
	17. Partnerships for the goals	By being part of various external organizations and by engaging proactively with our partners, GS E&C aims to find and collaborate with the wider community to live up to the UN SDGs.

2. GS E&C Sustainable Financing Framework Overview

Sustainable Financing Transactions (“SFT”) will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in this Framework.

- With respect to bonds, bonds issued under this Framework will be aligned with the 2018 Green Bond Principles³ (“GBP”), 2020 Social Bond Principles⁴ (“SBP”) and 2018 Sustainability Bond Guidelines⁵ (“SBG”) or as they may subsequently be updated.
- With respect to loans, loans issued under this Framework will be aligned with the 2018 Green Loan Principles⁶ (“GLP”), 2020 Guidance on Green Loan Principles⁷, or as they may subsequently be amended. Should the loan be used for projects that deliver green and/or social benefits, the loan will be labelled as “sustainable”.
- Other SFT may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

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

³ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

⁴ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Social-Bond-Principles--June-2018-140618-WEB.pdf>

⁵ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Sustainability-Bond-Guidelines---June-2018-140618-WEB.pdf>

⁶ https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

⁷ <https://www.lsta.org/content/guidance-on-green-loan-principles-glpl/>

SFTs may be executed in any jurisdiction and market reflecting GS E&C's current and future business needs.

For each SFT, GS E&C management asserts that it will adopt the following core components of the GBP, SBP, SBG and GLP:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting

The Framework will be reviewed by an independent External Reviewer.



The Framework will be in force as long as there is live SFTs. GS E&C may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting. GS E&C commits to communicate changes with investors via GS E&C's official website (<http://www.gsenc.com/en/>)

2.1 Use of Proceeds






The net proceeds of the SFTs will be used to finance or refinance, in whole or in part, new or existing Eligible Green Project Categories and Eligible Social Project Categories ("Eligible Project Categories").

- The proceeds of a Green Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Green Project Categories set out in Section 2.1.1 below.
- The proceeds of a Sustainability Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Green Project Categories set out in Section 2.1.1 and Eligible Social Project Categories set out in Section 2.1.2

2.1.1 Eligible Green Project Categories

Eligible Project Category	Eligible Criteria and Description	UN SDG Goals
<u>Energy efficiency</u>  	<ul style="list-style-type: none"> • Develop energy-efficient materials and equipment with advanced technology for the construction of housing, infrastructures and buildings, such as smart grid, which are consistent with GS E&C's goal of 31.86% reduction in GHG emissions by 2050⁸ • Upgrade and installation of installing LED lighting, sensor functions and energy 	<p>SDG 7.3: By 2030, double the global rate of improvement in energy efficiency</p> <p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance</p>


⁸ Source : company website : <http://www.gsenc.com/en/Management/Env/Env.aspx>

	<p>management systems for energy saving in its buildings and construction sites</p>	<p>with their respective capabilities</p>
<p><u>Renewable energy</u></p> 	<ul style="list-style-type: none"> Projects aimed at developing the production of renewable energy, such as wind, solar and small scale hydro⁹ subject to condition 	<p>SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix the share of renewable energy in the global energy mix</p> <p>SDG 7.a:By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology</p>
<p><u>Resource efficiency & Pollution Prevention</u></p>  	<ul style="list-style-type: none"> Investment and expenditure which minimizes waste of construction materials, ie the usage of prefabrication to minimize works done on temporary facilities EV battery recycling facilities 	<p>SDG 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> <p>SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>
<p><u>Sustainable Water and Waste Water Management</u></p> 	<ul style="list-style-type: none"> Collection, treatment and recycling facilities for grey water Projects in water and sanitation related activities and programmes, including water harvesting, water efficiency, wastewater treatment, recycling and reuse technologies such as: <ul style="list-style-type: none"> ✓ Ion exchange facility ✓ ZLD (Zero Liquid Discharge) facility ✓ Technology to remove dissolved heavy metals and salts from wastewater and 	<p>SDG 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p>

⁹ Subject to condition in set in 3.1.3 Exclusions

producing high quality de-ionized water for recycling

2.1.2 Eligible Social Project Categories

Eligible Project Category	Eligible Criteria	UN SDG Goals
<u>Affordable housing & basic infrastructure</u> 	<ul style="list-style-type: none"> Redevelopment and rebuilding projects of deteriorated residential areas for low income households¹⁰ 	SDG 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Eligible Project Categories may include the projects GS E&C made during the 2 years prior to the issuance or signing date of the respective SFTs and during the life of the SFTs.

2.1.3 Exclusions

The following industries are excluded from consideration for eligibility (“Exclusions”):

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage);
- Child labour and forced labour;
- Adult entertainment;
- Weapon;
- Alcohol;
- Tobacco;
- Fossil fuel;
- Nuclear; and
- Hydro power with installed capacity >20MW

2.2 Process for Project Evaluation and Selection

GS E&C imposes strict environmental and risk management policy during its normal course of business.

Health, Safety and Environment Policy

¹⁰ Low income individuals are determined by the Korean Ministry of Health and Welfare (MOHW) and Ministry of Education (MOE)’s classification, which is based on household income.

Under GS E&C's Sustainability Financing Framework, Eligible Projects are identified and selected via a process that involves participants from various functional areas. A Sustainable Financing Working Group ("SFWG") will be set up, composed of representatives from the below departments with the required level of expertise and seniority:

- CFO
- Finance Division
- HR, Legal Group
- Compliance Department
- Business Divisions
- Corporate Sustainability Management

SFWG will meet every 12 months to review and select eligible projects according to the criteria outlined in Sections 2.1.1 and 2.1.2 mentioned above. The shortlisted projects will be presented to the CFO of GS E&C for approval.

SFWG will ensure that the selected Eligible Project to comply not only with the section of Use of Proceeds but also the environmental and social guidelines under Green Bond Principles and Social Bond Principles which are applicable within GS E&C.

In addition, SFWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.

Eligible Projects may include new projects, projects under construction or in GS E&C's portfolio, with a disbursement date no older than 24 months.

2.3 Management of Proceeds

The net proceeds from each SFT issued will be managed by GS E&C's finance team. The net proceeds of each bond will be deposited in the general funding accounts, and the net proceeds of each loan will be drawn according to modalities agreed with lenders. For bonds and loans, an amount equal to the net proceeds will be earmarked for allocation or allocated to Eligible Projects, in accordance with GS E&C Sustainable Financing Framework.

GS E&C will maintain a register to keep track of the use of proceeds for each SFT. The register will contain the following information including:

2.3.1 Type of Funding Transaction

Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction.

2.3.2 Allocation of Use of Proceeds

- Name and description of Eligible Projects to which the proceeds of the SFTs have been allocated in accordance with the Framework
- Allocation of the proceeds of SFTs to Eligible Projects

- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

GS E&C is committed to allocating all proceeds from the SFT to Eligible Project on a best effort basis within one year of the Bond issuance in accordance with the evaluation and selection process set out above.

GS E&C will monitor the allocation to Eligible Project and track the net proceeds through its internal accounting system. Pending allocation, the net proceeds from the SFT(s) issued may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of GS E&C.

During the life of the SFT issued, if the designated Projects cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

Eligible Projects may be financed by SFTs. GS E&C will monitor on an ongoing basis to ensure there is no double counting.

2.4 Reporting

GS E&C will report on the allocation of net proceeds and associated impact metrics of its SFT(s) within one year from issuance date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material development.

The information will contain at least the following details:

2.4.1 Allocation Reporting

GS E&C will provide the following information for the net proceeds of all the SFTs during the period:

- The aggregate amount allocated to various Eligible Projects and breakdown across Eligible Project Categories
- The remaining balance of funds which have not yet been allocated and type of temporary investment
- Examples of Eligible Projects (subject to confidentiality disclosures)

2.4.2 Impact Reporting

Where possible, GS E&C will report on the environmental and social impacts associated with the Eligible Projects funded with the net proceeds of the SFT(s).

Subject to the nature of Eligible Projects and availability of information, GS E&C aims to include, but not limited to, the following Impact Indicators:

Eligible Project Category	Impact Indicators – Examples
---------------------------	------------------------------

Energy efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent • Number of people benefited
Renewable energy	<ul style="list-style-type: none"> • Renewable energy produced (MWh) • Renewable energy capacity (MW) • Estimated avoided GHG emissions (tCO2eq) • Annual energy savings (MWh pa)
Pollution prevention and control	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent • Amount of waste reduced (m3)Number of people benefited
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Amount of water recycled or reused (ltres) • Number of people benefited
Affordable housing and basic infrastructure	<ul style="list-style-type: none"> • Number of dwellings • Number of beneficiaries • Number of redevelopment and rebuilding projects of deteriorated residential areas • Number and type of disadvantageous communities helped

3. External Review

GS E&C will engage Sustainalytics to provide an external review on its Sustainable Financing Framework.

Opinion from the external reviewer will be available at:
<http://www.gsenc.com/en/Management/System/System.aspx>

Appendices

Appendix 1 – United Nations’ Sustainable Development Goals

In 2015, world leaders gathered at the UN to adopt 17 Sustainable Development Goals (SDGs) to achieve several extraordinary things by 2030: end poverty, promote prosperity and well-being for all, and protect the planet. The SDGs set a course to achieve these objectives – for people everywhere. The SDGs cover a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment and social justice.

