We **Connect** Lives, Cultures & the Future

Sustainability Finance Framework

April 2021

Incheon Airport

Incheon International Airport Corporation

Table of Contents

1. Background 1

2. IIAC's Green, Social and Sustainability Bond Framework .. 6

2.1 Use of Proceeds 6

2.2 Project Evaluation and Selection 11

2.3 Management of Proceeds.....12

2.4 Reporting 13

3. External Reviews.....14

1 Background

Incheon International Airport Corporation ("IIAC") was established on February 2, 1999 for the purpose of effective construction, management, and operation of the Incheon International Airport and contribution to seamless air transportation and development of the national economy, pursuant to the Incheon International Airport Corporation Act, and is 100% owned by the Korean government. Since opening in 2001, Incheon Airport has played a vital role as nation's gateway and established new standards for global airport service to become one of the top 5 airports globally.

IIAC is transforming itself from an energy consuming facility to an energy self-sufficient facility under the vision of "We connect Lives, Cultures and the Future" and under the environmental mission to develop "ESG management-based Happiness Platform". In addition, it is purporting to build an "Eco-friendly Airport Leading Green New Deal Initiatives" in line with the government's "Korean New Deal" initiatives. Furthermore, it has reaffirmed the common goal of creating an eco-friendly airport by entering into a "Clean Airport Agreement" with the top 5 ground handling agents.

IIAC aims to become the first Airport in Asia by 2040 which achieves 100% ratio in terms of renewable based energy supply including solar, thermal and fuel cell energy through RE100 project (100% of electricity to be drawn from renewable sources). Moreover, IIAC plans to establish green mobility operation system through the development of "Mega station" (landmark charging facilities that converged hydrogen/electronic charging stations), 100% conversion of diesel-powered equipment and implementing incentive system for eco-friendly vehicles. In response to ICAO's Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), the company will proactively tackle global environmental issues by building supply chains for SAF (Aviation Biofuel) and by building supply chains for Green Hydrogen re hydrogen-powered aircraft

IIAC is the first Korean public corporation to develop social value strategy of "Liftoff to the World with the Public, Incheon Airport, Social Value Creator" and to spearhead creation of an ecosystem of social values across the industry, having proclaimed the vision and entered into agreements with 50 stakeholders. Of note, the corporation has ensured labor security by opening the era of zero non-regular workers with 77,000 airport employees and is making utmost efforts to promote symbiotic growth and job security within the airport industry's ecosystem by reducing rent (total KRW1.3trn, 80%+ employee retention) from tenants including airlines, duty free operators, and concessions amidst the unprecedented threats posed by the pandemic.

Additionally, IIAC is collaborating with various economic agents including SMEs, SOHOs, and social enterprises and sharing technology, resources, and infrastructure to create an ecosystem for mutual growth, while engaging in various CSR programs (KRW20bn per annum) at home and abroad to provide support towards independence and growth of the local economy and the socially marginalized. Moreover, it has enhanced the scope and the depth of public participation in key projects and organized a variety of social value alliances based on private-public partnerships including the "citizen participation innovation group", "public innovation hackathon", and "Incheon local public corporation alliance" (4 entities including ICPA) to create an integrated innovation platform based on public participation in order to respond to the post-COVID-19, new-normal era.

IIAC is committed to assuming the full suite of economic, social, and environmental responsibilities as a state owned enterprise based on ESG sustainability management and becoming a leading corporation generating social values.

[Green Impact]

1. Eco-friendly Conversion of Airport's Operation Energy

IIAC is involved in below 2 projects with a goal of achieving eco-friendly energy conversion

(1) Installment of more solar, thermal, and fuel cell power generation systems using idle sites within the airport (install 78MW by 2030)

(2) Enhancements on energy consumption efficiency by applying high-efficiency equipment such as LED lighting to airport facilities

※ Major activities and achievements

- Achieved 3.2% in energy self-sufficiency rate through operating 15.5MW-sized solar and thermal generation facilities, 100% conversion of indoor lighting to LED, Adoption of the ISO certification system, and ACI carbon accreditation (Level-Ⅲ)

2. Development of Green Mobility Operating System

IIAC is striving to promote green mobility in order to expand the means of eco-friendly transportation

(1) Rollout of charging infrastructure for eco-friendly vehicles
(Target: 2 hydrogen charging units and 350 EV charging units)

(2) 100% conversion of airport mobility encompassing IIAC, subsidiaries, and airlines into eco-friendly vehicles

(3) Ensuring the commercial vehicles including hydrogen/EV buses, special purpose vehicles, and ground support equipment are environmentally friendly

(4) Operation of urban maglev line (total length of 6,113km)

※ Major activities and achievements

- Built 2 hydrogen charging stations and 70 EV charging units, converted 100% of ground support vehicles (84 hydrogen vehicles and 50 EVs), introduced 18 hydrogen and EV buses

3. Activities on Reducing Aircrafts' Fine Dust and Exhaust Gas

IIAC is involved in below 4 projects with a goal to reduce fine dust and exhaust gas through improvements of aircraft fuel efficiency

(1) Development of supply chain for aviation biofuel

(2) Minimization of aircraft taxiing through renewal of A-CDM and airdrome facilities

(3) Operation of AC-GPS and PC-Air for reduction of carbon emission from parked aircrafts

> * A-CDM(Airport Collaborative Decision Making)
> - Flight time estimation based on sharing of aircraft travel time and reduction of carbon emission due to decrease in aircraft standby time
> * AC-GPS(Aircraft Ground Power Supply)
> - Eco-friendly equipment supplying power to aircrafts parked at apron in substitution of the engines
> * PC-Air(Preconditioned-Air)
> - Equipment for directly supplying heat and air conditioning to parked aircrafts in order to minimize the engine use of aircrafts

(4) Development of Korean Urban Air Mobility (K-UAM) infrastructure

※ Major activities and achievements
- Organized team for conversion of outdated ground support equipment to eco-friendly equipment, operates 208 AG GPS units and 49 PC-Air units

4. Activities for Green Airport Environment

IIAC endeavors to create green airport environment with eco-friendly airport construction alongside other projects to minimize environmental impact through resource circulation and preserving biodiversity within and near the airport

(1) Improvements on energy efficiency with Green Remodeling of airport facilities and accrediting for Green Building

(2) Development of resource circulation system with annual research on marine, terrestrial ecosystem and quarterly environmental impact assessments in order to preserve the ecological environment. Establishment of damage prevention measures when endangered species or natural monuments are found

(3) Creation of forest area within and near the airport

※ Major activities and achievements
- In 2020, IIAC reduced 269 tons of air pollution-inducing emissions, recycled 118k tons of construction waste, and conserved 2,784 tons of water resource

[Social Impact]

1. Employment Generation

IIAC is implementing 3 following projects “Creation of decent jobs”, “Provision of information and networking session” and “Establishment of safe and sound working environment”, with a view of making contribution to the national economy by expanding innovative labor forces

(1) Creation of decent jobs

- Establishment of consultative body to promote job creation within the airport
- Establishment of subsidiary to ensure job security
- Monitoring of employment-to-population ratio on an ongoing basis
- Provision of emergency funds for employees

(2) Provision of information and networking session

IIAC intends to establish “integrated job searching platform” to streamline job postings across aviation sector, while continuously developing job matching program in consideration of supply and demand

(3) Establishment of safe and sound working environment

IIAC strives to maintain favorable working environment by providing convenient commuting system and housing support, so as to ensure retention rate of our employees

※ Major activities and achievements

- (Employment) In 2020, IIAC created 24,787 (cumulative) new jobs, preserved 42,761 jobs in relation to COVID-19 (Incheon Airport’s employee retention rate stood at 88%, compared to ACI’s global aviation industry employee retention rate of 47.5%), matched 1.4k candidates with jobs, converted 9,796 employees to permanent workers through establishment of a new subsidiary, and scored 84.9 in job satisfaction

2. Innovative Growth

Based on the understanding of changing industry landscape, IIAC is laying down the groundwork for mutual growth with SMEs and startups. Through technological cooperation with promising enterprises, we intend to build on solid foundation to solidify our position as state-of-the-art innovative airport

(1) A comprehensive support system that create sustainable management environment for SMEs with various areas of support such as finance, facilities, marketing, sales channel, etc.

(2) In addition, accomplish joint R&D with promising SMEs and provide assistance on test bed, sales channel, training, financing , technological accreditation (issuance of certification marks), etc. to build a smart airport based on Industry 4.0 technologies and to develop proprietary core technologies

(3) Promote regional culture promotion programs and welfare of local community through regional (Incheon) economic cooperation project whilst increasing procurement of products/services from local companies

※ Major activities and achievements

- (SMEs) In 2020, IIAC supported 236 aviation SMEs, created 117 jobs through joint R&D programs, achieved KRW4.1bn in revenue, and created an R&D investment promotion fund worth KRW3bn

- (Small giants) In 2020, IIAC supported 28 startups (created 63 jobs and achieved KRW18.3bn in revenue) and 52 social enterprises (created 110 jobs and increased revenue by 14% YoY).

3. Social Integration

IIAC has developed and is operating smart technology-based transportation system in order to secure the rights for the mobility disadvantaged groups, and has pursued various CSR activities including improvements of the social safety net (improvement of medical/welfare infrastructure, etc.) while promoting local community economic cooperation activities (development of tourism infrastructure and regional culture promotion programs).

※ Major activities and achievements

- In 2020, IIAC adopted AI-powered autonomous EVs (2) and cart robots (6) to serve the transportation for vulnerable for the first time in the world
- In 2020, IIAC created 242 establishments, supported 17,208 underprivileged people, provided financial supports to 15,072 SMEs, entered into contract with local construction enterprises worth KRW510.2bn

2 IIAC's Green, Social and Sustainability Bond Framework

IIAC intends to issue a series of Green, Social and Sustainability Bonds ("GSS Bonds") to fulfill its environmental, social and economic responsibilities. The aim of this Green, Social and Sustainability Bond Framework is to facilitate transparency, disclosure, integrity and quality in IIAC's GSS Bonds for interested investors and stakeholders.

The framework stipulates that the proceeds shall be used in accordance with the 4 key pillars of International Capital Market Association's ("ICMA") Green Bond Principles ("GBP") 2018, Social Bond Principles ("SBP") 2020 and Sustainability Bond Guidelines ("SBG") 2018.

The 4 key pillars of the framework are as follows, which is in compliance with the principles of the ICMA.

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

2.1 Use of Proceeds

IIAC plans to use the net proceeds from issuance of GSS Bonds to finance and/or refinance, in whole or part, the combination of new or existing projects ("Eligible Projects") that fall under the Eligible Project Categories as defined below:

Eligible projects will be designated in accordance with the ICMA's GBP, SBP and SBG.

[Eligible Project Categories for allocation of the GSS Bonds proceeds]

1. **Eligible projects that had received investments during the 3 years period prior to issuance of the GSS Bonds**

2. **Eligible projects that have been committed to prior to issuance, with investment expected to be made after the issuance date**

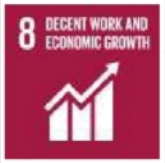
3. **Eligible projects that are expected to be committed to and invested after the issuance date**

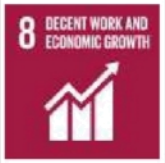
[Green Eligible Categories]

Project Categories	Eligible Criteria and Description	US SDGs	
Eco-friendly Conversion of Airport's Operation Energy	**1. Supply of Renewable Energy** · Development of renewable power generation facilities (solar and fuel cells, etc.) · Self-generating electricity for airport operation and direct purchase of power generation (achieve 100% renewable energy by 2050)		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
	2. Enhancements of energy efficiency for airport operation · Adopt high-efficiency equipment and facilities (LED lighting, freezers, pumps etc.) · Establish energy management and assessment system		7.3 By 2030, double the global rate of improvement in energy efficiency
Development of Green Mobility Operating System	**1. Construction of hydrogen / EV charging stations**		7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
	2. Implementation of specialized, eco-friendly airport vehicles (hydrogen / electronic charging stations)		
	3. Eco-friendly conversion of vehicles (hydrogen / electronic ground support vehicle and airport shuttle bus) operating within the airport area		
Activities on Reducing Aircrafts' Fine Dust and Exhaust Gas	**1. Development of aviation biofuel (SAF) supply infrastructure (logistics, refueling)** * Appoint key means of reducing aircrafts' exhaust gas from ICAO's CORSIA with expected impact of 80% reduction of GHG from existing Jet Fuel		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
	2. Reform in infrastructure for improving aircrafts' fuel efficiency · Renewal of airdrome (minimizing aircraft's taxiway) · Construct infrastructure for improving the fuel efficiency of parked aircrafts (AC-GPS and PC-Air)		7.3 By 2030, double the global rate of improvement in energy efficiency
	3. Development of Korean Urban Air Mobility (K-UAM) infrastructure (terminal and charging stations)		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

Project Categories	Eligible Criteria and Description	US SDGs	
Activities for Green Airport Environment	**1. Construction of eco-friendly airport** · Improve energy efficiency of airport facilities * New Facilities: Accreditation for Green Building / Zero Energy ** Current Facilities: Green Remodeling		7.3 By 2030, double the global rate of improvement in energy efficiency
	2. Development of resource recycling system and preservation of ecological environment · Apply resource recovery for water and waste · Restore ecosystem within and near the airport and form natural environment		12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycle and reuse
	3. Create forest area within and near the airport · Implant CO2 reducing plantation to create CO2 absorbing forest · Reduce fine dust (increase tree planting density near the roads)		15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

[Social Eligible Categories]

Project Categories	Eligible Criteria and Description	US SDGs	
Employment generation	**1. Create high-quality jobs** - Provide and match on/off-line airport employment information (Online recruiting center, career center, and job fair and support tenant companies' online job interview) - Support employment stability for tenant companies' employees (Youth/Women employment longevity support, Re-employment support for middle-aged employees, SMEs payroll support, Job training and education on job transfer for employees with leave of absence)		8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training
	2. Foster innovative businesses (startups and social enterprise) - Areas of Support: Finance, IR, Marketing, Opportunities for Terminal operation and Sales channel development * Startups: Companies that provide 3K (K-tourism, Culture, Food) related service which were established within 7 years that qualify under the Article 2 of "Support for startups and SMEs establishment Act" * Social Enterprise: Enterprises that provide social services or job opportunities for vulnerable populations which are operating more than 3 years that qualify under the Article 7 of "Social Enterprise Promotion Act"		8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products
Social Integration	**1. Provide services for the mobility disadvantaged group** - Mobility disadvantaged: persons with disabilities, the aged, pregnant women, persons accompanied by infant - Expand means of mobility assistance (Autonomous vehicle / Cart robot / Baby carriage, etc.)		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
	2. Support self-reliance for socially marginalized - Provide COVID-19 relief supplies to low income households within Incheon area - Provide education and hold job fair for teenagers from low income, multicultural family within Incheon/Gyeonggi area - Provide consulting program for social welfare facilities and safety assessments within Incheon area - Provide digital education for elderly population within Incheon area		1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

Mutual Cooperation / Regional Development	**1. Mutual growth with SMEs** - Operate "Tech Market" (technology sharing/trading platform) for SMEs with new aviation/airport related technologies - Finance support for SMEs (Provide mutual cooperation loans, credit rating inquiries and assessments, etc.) - Hiring support for SMEs (Support "Tomorrow Mutual Aid" and job fair, etc.) - Sales channel expansion support for SMEs (Provide education for offshore operation, sales channels in domestic/overseas and support online exhibition for exporting companies) - Education/Consulting support for SMEs (Provide education on reinforcement of productivity, support acquiring the Intellectual Property and Technology Development Product accreditation, provide fees for ESCROW) * SMEs: enterprises that qualify under the Article 2 of "Support for startups and SMEs establishment Act"		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
	2. Revitalization of local economy - Local community economic cooperation projects (scholarship programs, local welfare system improvement, regional culture promotion programs, etc.) - Increase procurement of products/services from local SMEs *SMEs: enterprises that qualify under the Article 2 of "Support for startups and SMEs establishment Act"		11.a Support positive economic, social and environmental links between urban, per-urban and rural areas by strengthening national and regional development planning

2.2 Project Evaluation and Selection

The Project Evaluation and Selection Process is a key process in ensuring that the net proceeds raised by IIAC are allocated to projects and assets which meet the eligibility criteria as defined in Section 2.1

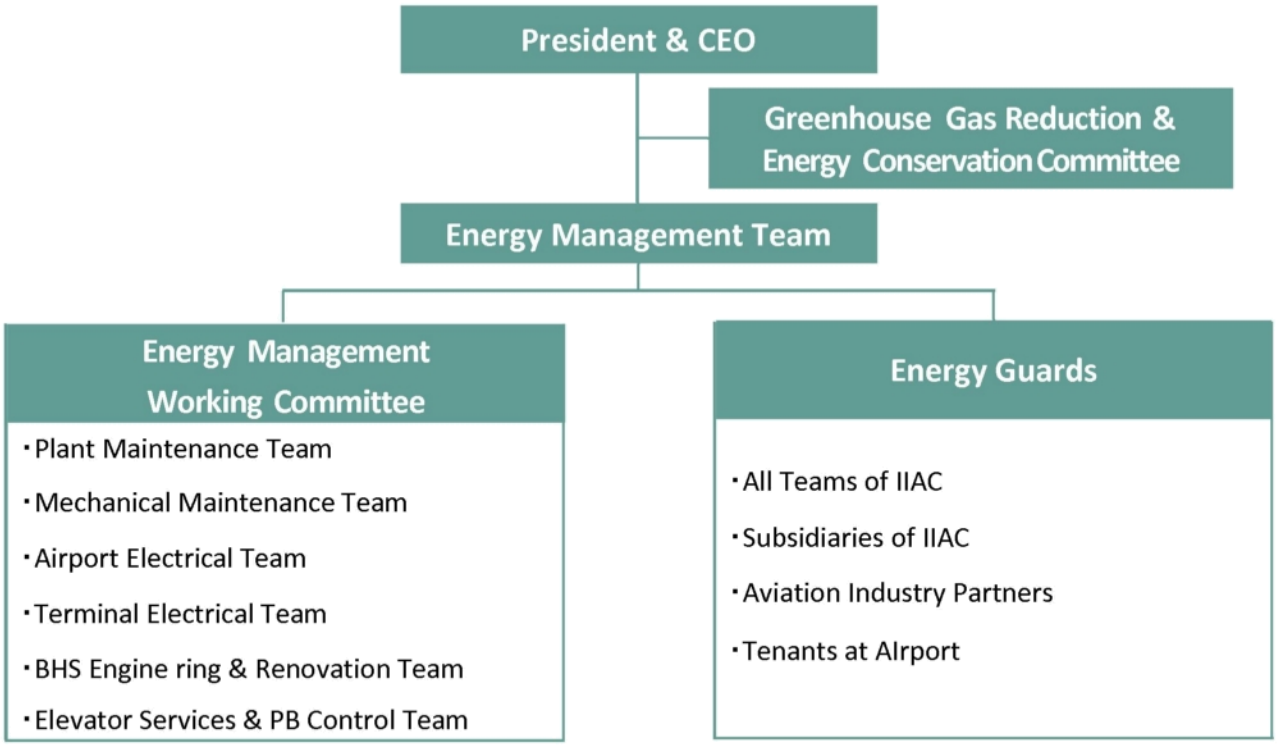
IIAC's project teams conduct initial review of the projects that meet the principles of the GSS Bonds, and the Green, Social and Sustainability Bond Working Group ("GSSBWG") assesses the eligibility of the projects based on the GSS Bonds' stated use of proceeds and carries out the review and approval process for the eligible project.

IIAC's Finance department, the department responsible for issuance of GSS Bonds finally selects the projects to be supported based on a comprehensive consideration of the environmental and social impact and current status of unused proceeds from the issuance.

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

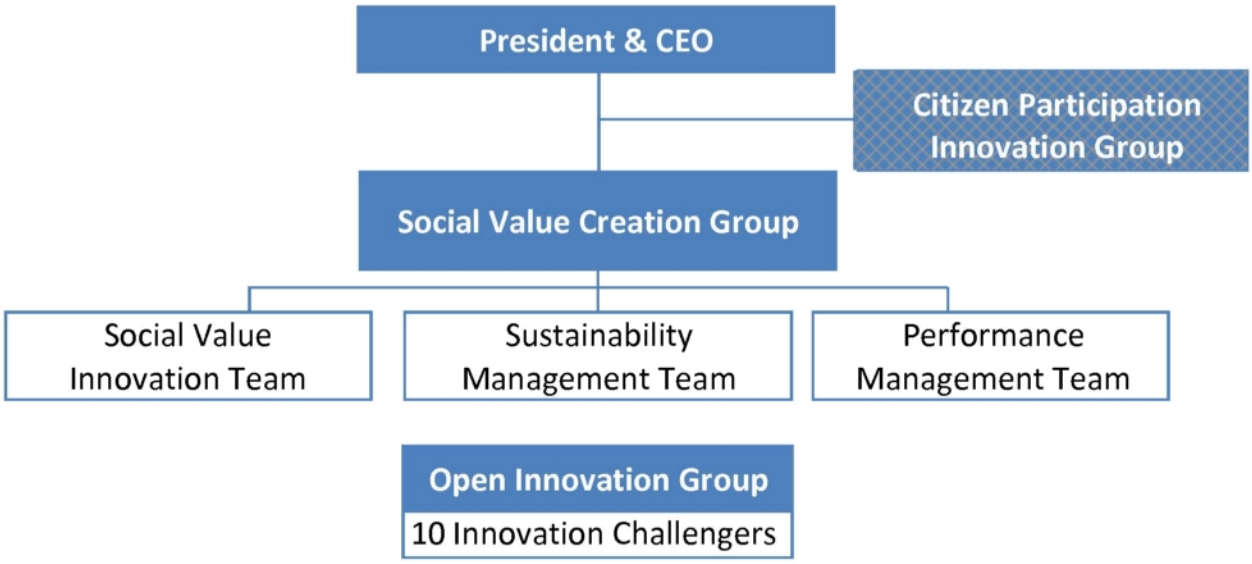
○ Green Impact Management Organization

[Energy Management Organization]



○ **Social Value Management Organization**

[Social Value Creation Committee]



2.3 Management of Proceeds

The amount equivalent to the net proceeds will be allocated and managed accordingly for financing and/or refinancing of selected Eligible Projects.

The project teams responsible for the selected recipient companies (or projects) request for funding support via the internal information system. IIAC's Finance department allocates the resources across the sectors and will track the net proceeds through a separate GSS Register that includes details on issuing terms of GSS and amount allocated to Eligible Projects.

1) The net proceeds from the issuance of GSS Bonds will be deposited separately in IIAC's foreign currency account and managed accordingly through adequacy review and execution record.

2) With the establishment of annual budget, Finance department will distribute the funding support accordingly and the management of quarterly budget execution performance will be carried out.

3) Pending the full allocation of the net proceeds, all or a portion of the net proceeds will be held in accordance with IIAC's general liquidity management policies. The unallocated proceeds can be invested in cash, cash equivalents, investment grade securities or other marketable securities and short-term instruments or other capital management activities.

2.4 Reporting

The reporting will include allocation reporting and impact reporting and will be publicly available on IIAC's internet website. IIAC plans to annually provide the "notice to investors" including below details via its internet website until the bond proceeds have been fully allocated.

Allocation Report

- Eligible Project Lists, Allocation amount, Expected impacts from Eligible Projects
- The balance amount of unallocated net proceeds

Impact Report

- IIAC derived impact indicators based on the categories of Eligible Projects

[Environmental Impact Indicators]

Categories	Impact Indicators
Eco-friendly conversion of airport's operation energy	· Ratios of renewable energy supply and environmentally-friendly power purchase · Eco-friendly energy conversion rate · Accreditation for Green Building / Zero Energy building
Development of Green Mobility operating system	· # of eco-friendly charging infrastructure units in operation · Ratio of conversion into eco-friendly vehicles (special-purpose vehicles, ground support vehicles, shuttle bus)
Activities on reducing aircraft's fine dust and exhaust gas	· # of aircrafts in operation with biofuel · Reduced volume of aircraft's fine dust and greenhouse gas emission
Activities for Green Airport Environment	· Recycling rate of the waste and waste heat · % of green area in the airport

[Social Impact Indicators]

Categories	Impact Indicators
Employment Generation	· # of new job created in the airport industry · # of job matching cases for tenant companies · Hire of innovative companies (i.e. startups, social enterprise) and incremental revenue
Social Integration	· # of recipients of services for the mobility disadvantaged (mobility assistance and convenience facilities) and service satisfaction rate · # of recipients (households) of support program for socially marginalized
Mutual Cooperation /Regional Development	· Track record of commercialization of proprietary technology and purchase of deliverables from SMEs · Incremental employment and revenue of SMEs · Purchase cost of local businesses' products and services

3 External Reviews

Second Party Opinion

IIAC has engaged DNV GL to provide an independent third party opinion to provide assurance on IIAC's Green, Social Sustainability Bond Framework and its alignment with the GBP, SBP and SBG.

Should there be any amendments to the Framework, IIAC will have our revised Framework re-verified and receive opinion from an independent third party.

The opinion from DNV GL ("Second Party Opinion") shall be published on IIAC's internet website [Main site>PR Center>Publications] (https://www.airport.kr/co_cnt/en/cyberpr/publicat/prbroc/prbroc.do).

Appendix Allocation Report (FY 21)

IIAC issued Green Bond ($ 300,000,000) and Social Bond (₩ 100,000,000,000) in FY 21. Detailed allocations to each projects are as follows.

Impacts from projects shall be published on IIAC's internet website [Main site > PR Center > Publications > "Corporate Sustainability Report" & "Green Report"]

[Green Bond Allocation]

($ mm)

Categories	Allocation		
	FY 21	FY 22~25 (e)	Total
Eco-friendly conversion of airport's operation energy	5.7	63.3	69.0
Development of Green Mobility operating system	6.0	24.2	30.2
Activities on reducing aircraft's fine dust and exhaust gas	14.0	128.1	142.1
Activities for Green Airport Environment	4.4	54.9	59.3
Total	**30.1**	**270.5**	**300.5**

[Social Bond Allocation]

($ mm)

Categories	Allocation		
	FY 21	FY 22~25 (e)	Total
Employment Generation	0.3	2.8	3.1
Social Integration	7.7	38.4	46.1
Mutual Cooperation /Regional Development	24.3	8.5	32.8
Total	**32.3**	**49.6**	**81.9**