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## Second Party Opinion

# Doosan Enerbility Co. Ltd.'s Green Finance Framework

July 3, 2023

Headquartered in South Korea, Doosan Enerbility Co. Ltd. provides integrated solutions for power generation, energy, and desalination plants globally. It manufactures power plant equipment, such as onshore and offshore wind turbines, gas turbines, energy storage systems, and reactors. The company was renamed "Doosan Enerbility" from "Doosan Heavy Industries & Construction" to better represent its business priorities on energy and sustainability.

In our view, Doosan Enerbility's Green Finance Framework, published in July 2023, is aligned with:

- ✓ Green Bond Principles (GBP), ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles (GLP), LMA/LSTA/APLMA, 2023

## Issuer's Sustainability Objectives

Doosan Enerbility endeavors to transform its current business to a more eco-friendly energy portfolio based on Korea's green taxonomy (commonly referred to as K-Taxonomy). It intends to diversify its operations toward four key components: gas turbines, renewable energy, hydrogen energy, and next-generation nuclear power plants. The company aims to increase the share of these businesses to 82% by 2027 (from 41% in 2022).

Doosan Enerbility commits to reducing its greenhouse gas by 19.4% by 2030 compared with its 2017 baseline. It also targets to reach net zero by 2050. To reduce its carbon footprint, the company established an annual greenhouse gas reduction plan, which includes initiatives such as energy efficiencies, use of renewable energy, carbon offsets, and new production technologies.

Doosan Enerbility intends to invest in businesses that support the U.N.'s Sustainable Development Goals (SDGs), which can help meet its other 2030 targets around water, energy, climate change, health, and education. The company has developed this green finance framework to ensure its funding strategy aligns with its objectives of contributing more to sustainable energy use.

### Primary Analyst


**Evian Wee**  
Singapore  
+65 6239 6363  
[evian.wee@spglobal.com](mailto:evian.wee@spglobal.com)

### Secondary Analyst

**Shirley Lui**  
Hong Kong  
+852-2912-3063  
[shirley.lui@spglobal.com](mailto:shirley.lui@spglobal.com)

# Second Party Opinion Summary

## Use of proceeds

**Alignment**  Doosan Enerbility's Green Finance Framework is aligned with this component of the GBP and GLP.

**Score** Not aligned Aligned **Strong** Advanced

Doosan Enerbility commits to allocating an amount equal to the net proceeds from green financing raised under the framework exclusively to eligible projects that contribute to specific environmental objectives, such as climate change mitigation and pollution prevention and control.


## Process for project evaluation and selection

**Alignment**  Doosan Enerbility's Green Finance Framework is aligned with this component of the GBP and GLP.

**Score** Not aligned **Aligned** Strong Advanced


Doosan Enerbility has a green financing working group (GFWG) to oversee the selection of projects and ensure they comply with the framework's eligibility criteria. The identification and management of the environmental and social risks associated with financed projects will rely on its internal policies and procedures on environmental, social, and governance (ESG).

## Management of proceeds

**Alignment**  Doosan Enerbility's Green Finance Framework is aligned with this component of the GBP and GLP.

The company will track and manage the allocation of the net proceeds of the green financing instruments using a dedicated ledger. Unallocated proceeds will be held in cash or cash equivalents, money market instruments or other equivalent short-term and liquid instruments, in accordance with Doosan Enerbility's treasury and liquidity management policy.

## Reporting

**Alignment**  Doosan Enerbility's Green Finance Framework is aligned with this component of the GBP and GLP.


**Score** Not aligned **Aligned** Strong Advanced

Doosan Enerbility commits to reporting publicly and annually on both the allocation of proceeds and the expected environmental benefits of the financed projects, until full allocation of proceeds.

# Framework Assessment

## Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Doosan Enerbility’s Green Finance Framework is aligned with this component of the GBP and GLP.

### Commitments score

Not aligned

Aligned

**Strong**

Advanced

We consider Doosan Enerbility’s overall use of proceeds commitments to be strong.

Doosan Enerbility commits to allocating an amount equivalent to the net proceeds of instruments issued under its framework to exclusively finance or refinance eligible green projects. The framework lists six eligible green categories--(1) renewable energy, (2) pollution prevention and control, (3) green hydrogen, (4) sustainable water management, (5) clean transportation, and (6) energy efficiency. These eligible projects contribute to Doosan Enerbility's 2030 commitments around water, energy, climate change, health, and education.


Each category contributes to climate change mitigation or pollution prevention and control and supports relevant SDGs' targets. For example, projects in renewable energy, green hydrogen, clean transportation, and energy efficiency contribute to climate change mitigation. These projects help reduce the use of fossil fuel in carbon-intensive sectors such as power generation, transportation, and real estate.

Projects in waste recovery and wastewater treatment contribute to pollution prevention and control and sustainable water management. For instance, recycling used batteries or wind turbine blades promotes the transition to a circular economy and reduces pollution.

Doosan Enerbility specifies a maximum look-back period of three years for refinanced projects and will disclose the share of financing and refinancing in its allocation reporting. While these commitments add transparency, we view shorter look-back period as better practice.

## Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Doosan Enerbility’s Green Finance Framework is aligned with this component of the GBP and GLP.

### Commitments score

Not aligned

**Aligned**

Strong

Advanced

We consider Doosan Enerbility’s overall process for project selection and evaluation commitments to be aligned.

The framework outlines Doosan Enerbility's process to evaluate and select eligible green projects. The company has a Green Financing Working Group (GFWG), comprising senior representatives from the treasury and ESG teams, to oversee the process. The group will meet at least annually to review and approve the list of eligible green projects submitted by the treasury team. The GFWG will ensure compliance of projects with the framework's eligibility criteria and is also responsible for the annual reporting for green financing instruments.

Doosan Enerbility will follow its internal policies and procedures to identify and manage environmental and social risks associated with financed projects. These policies and procedures include the Doosan Enerbility's environmental management system, supply chain ESG guidelines, human rights policy, environment, health and safety policy, among others. Supplementary information on these policies and procedures are available on the company's website.


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The framework includes an exclusionary list, which covers activities such as fossil fuel energy generation, nuclear energy generation, weapon and defense industries, potentially environmentally negative resource extraction, gambling, and tobacco.

Finally, the framework incorporates quantitative thresholds as eligibility criteria for sustainable water management projects and energy efficiency projects. For example, projects related to the upgrade of existing facilities, equipment, systems and technology must achieve at least a 30% improvement in energy efficiency to be eligible. However, it does not include such thresholds for all project categories, nor reference any market standards or taxonomy as part of project selection, limiting comparability.

## Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 Doosan Enerbility's Green Finance Framework is aligned with this component of the GBP and GLP.

Doosan Enerbility will establish a dedicated ledger to track and manage the allocation of the net proceeds to the eligible projects. The ledger will contain information on the green financing instruments' characteristics (type of instrument, issuance date, maturity date), list of eligible green projects (categories, types of projects, project description), allocation of proceeds, and amount of unallocated proceeds.

The company will adjust the balance of net proceeds to match allocations to eligible green projects as long as green financing instruments are outstanding. The GFWG will be responsible for monitoring the financed green projects, and replacing projects that no longer meet the eligibility criteria, or if material environmental or social controversy or adverse impact arises.

Doosan Enerbility will do its best to fully allocate the net proceeds within three years from the date of issuance. This maximum time to allocate the net proceeds is relatively long. The company will hold unallocated proceeds in cash or invested in cash equivalent, money market instruments, or other equivalent short-term and liquid instruments, in accordance with its treasury and liquidity management policy.

## Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Doosan Enerbility's Green Finance Framework is aligned with this component of the GBP and GLP.

### Disclosure score

Not aligned

**Aligned**

Strong

Advanced

We consider Doosan Enerbility's overall reporting practices to be aligned.

Doosan Enerbility commits to reporting annually the allocation of proceeds and the financed projects' expected environmental impacts until full allocation of proceeds in its annual integrated report or in a stand-alone green financing report. The report will be available on its website.

Allocation reporting will include the aggregate amount of allocated proceeds, a brief description for projects financed, amount of unallocated proceeds and the share of financing versus refinancing.

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Doosan Enerbility will disclose expected environmental impacts by eligible categories. Impact indicators include the annual renewable energy production (in megawatt hour), greenhouse gas avoided (in tons of CO2 equivalent), green hydrogen production (tons), amount of water saved or recycled (cubic meters), number of electric vehicles acquired and charging stations installed, among others.

However, Doosan Enerbility does not commit to having an independent third-party verification or audit of its post-issuance allocation and impact reporting. It will also not disclose the underlying calculation methodology and assumptions.

## Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the U.N. set up in 2015, form an agenda for achieving sustainable development by 2030.

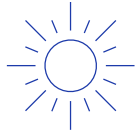
We use the International Capital Market Association's (ICMA) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Doosan Enerbility's Green Finance Framework intends to contribute to the following SDGs:

**Use of proceeds**

**SDGs**

Renewable Energy



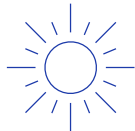
**7. Affordable and clean energy\***

Pollution Prevention and Control



**12. Responsible consumption and production\***

Green Hydrogen



**7. Affordable and clean energy**

Sustainable Water Management



**6. Clean water and sanitation\***

Clean Transportation



**11. Sustainable cities and communities\***

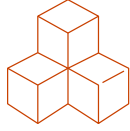
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**Use of proceeds**

**SDGs**

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Energy Efficiency



**9. Industry,  
innovation and  
infrastructure\***

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\*The eligible project categories link to these SDGs in the ICMA mapping.

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