# Sector Specific Guidelines

Formulated on June 29, 2023

First amendment and renamed on June 21, 2024

1. Controversial Industries

(1) Guidelines for the tobacco industry

Considering that direct support in the tobacco industry through investments with the Company's own funds is inconsistent with the Group's objectives of health promote and disease prevention, in order to reduce the health risks associated with tobacco and reputation risks to stakeholders, investments in equity and fixed-income products, as well as financing transactions, shall not be conducted with counterparties whose revenue from tobacco-related industries, including tobacco cultivation, manufacturing, and sales, exceeds 50%.

(2) Guidelines for the gambling industry

Considering the potential governance risks related to illegal money laundering and organized crime activities, and regarding the negative reputation risks to stakeholders, investments in equity and fixed-income products, as well as financing transactions, shall not be conducted with counterparties whose revenue from gambling activities exceeds 50%, except for non-profit gambling enterprises.

(3) Guidelines for the fur trading industry

The Group believes that illegal fur trading violates international animal welfare regulations and raises concerns about inhumane animal farming practices and the lack of measures to mitigate negative impacts on animals. To eliminate such practices and reduce risks to animal welfare and stakeholder reputation, investments in equity and fixed-income products, as well as financing transactions, shall not be conducted with enterprises engaged in black market fur trading.

(4) Guidelines for the tropical rainforest logging industry

The Group recognizes that biodiversity challenges are an extension of climate action, and degradation of ecosystems accelerates climate change, leading to the destruction of pristine natural habitats. Tropical rain forest logging, in particular, destroys natural carbon sinks and releases greenhouse gases, contributing significantly to climate change and biodiversity loss. To mitigate climate change and biodiversity risks, investments in equity and fixed-income products, as well as financing transactions, shall not be conducted with enterprises whose raw materials for business operations come from tropical rain forest timber.

2. Carbon-intensive industries

(1) Guidelines for the thermal coal-related industry:

Considering the adverse effects of coal mining, processing, and usage, including air pollution and the generation of substantial solid waste annually, as well as the higher risk of fatal injuries to miners, in order to mitigate the potential risks associated with the thermal coal industry, such as climate change, environmental impacts, biodiversity loss, and labor hazards, no new investment and lending shall be conducted with counterparties whose business operations involve coal mining and infrastructure, coal trading, and coal transportation, and coal-fired power generation exceed 5% and lacking active transition to using renewable energy sources. Existing exposures will be processed in accordance with the phased-out schedule of SKFH for thermal coal and unconventional oil and gas-related industries.

(2) Guidelines for the unconventional oil and gas-related industry:

Considering the threats posed by unconventional oil and gas exploration and extraction, including tar sands, shale oil & gas, Arctic oil & gas, ultra-deep-water oil & gas (water depth exceeding 5,000 feet), and liquefied natural gas from unconventional fossil fuels to climate and environmental ecosystems, in order to reduce the potential climate change, environmental, and biodiversity risks associated with unconventional oil and gas industries, no new investment and lending shall be conducted with counterparties where over 5% of their revenue comes from unconventional oil and gas. Existing exposures will be processed in accordance with the phased-out schedule of SKFH for thermal coal and unconventional oil and gas-related industries.

(3) For investee companies in the two industries mentioned above, if their raised funds are entirely used for sustainable transition plans (including but not limited to green bonds, social responsibility bonds, sustainability bonds, and sustainability-linked bonds), these investments are not subject to the limitations as mentioned above.