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TWENTY

Financial and Legal Report

SOCIETE FONCIERE LYONNAISE

2015 FINANCIAL AND LEGAL REPORT

SOCIETE FONCIERE LYONNAISE

AUTORITÉ DES MARCHÉS FINANCIERS

The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on 5 April 2016, in accordance with Article 212-13 of the AMF's General Regulations. It may be used for a financial transaction provided that it is accompanied by an Information Memorandum approved by the AMF. This document was prepared by the issuer and is the responsibility of the persons who signed it.

This English language version of the Registration Document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However in all matters of interpretation of information, views or opinions expressed therein the original language version of the document in French takes precedence over the translation.

Contents

SFL 2015 Management Report

The financial statements were approved for publication by the Board of Directors on 12 February 2016.

Annual General Meeting of 26 April 2016
Management Report for the Year Ended 31 December 2015

To the Shareholders,
We have called the Annual General Meeting in accordance with the Company's Articles of Association and the French Commercial Code *(Code de commerce)* to report to shareholders on Société Foncière Lyonnaise's operations and results for the year ended 31 December 2015 as well as its future outlook, and to submit for shareholder approval the financial statements of the Company and the Group and the other resolutions presented in this report.
The notice of meeting and all proxy documents required by law were sent or made available to shareholders within the applicable periods.

1. Business Review and Significant Events of the Year

1.1. Rental activity

In a rental market that was stable compared to 2014, but still difficult and selective, SFL successfully leased 85,000 sq.m of space in 2015. In particular, several very large operations were carried out:
- 100% of the In/Out building in Boulogne (35,000 sq.m) was leased to the OECD under a 12-year lease starting on 1 September 2015.
- In the #cloud.paris building, which is now 90% leased, 10,800 sq.m were leased to Exane under a 9-year lease, 9,700 sq.m to BlaBlaCar and 3,600 sq.m to one of the leading participants in the global net economy.
- 100% of the Le Vaisseau building in Issy-les-Moulineaux (6,300 sq.m) was leased to Révolution 9 under a 6-year lease commencing when the building is delivered after renovation in January 2016.
- A new 12-year lease was signed with TV5 Monde on its headquarters building at 131 avenue de Wagram in Paris (7,500 sq.m).

In addition, several medium-sized transactions were carried out, including the leasing of 3,700 sq.m in the Washington Plaza building to two new tenants, Akamai and Meda Pharma, and of 1,900 sq.m in the Louvre Saint-Honoré building to Swiss Life REIM.

Nominal office rents for lease agreements signed in 2015 averaged €551/sq.m with effective rents averaging €437/sq.m. For properties in the Central Business District (CBD), the averages were €662/sq.m and €565/sq.m respectively.

The physical occupancy rate for revenue-generating properties on 31 December 2015 was 95.6% compared to 87.1% a year earlier.

1.2. Development operations

During 2015, buildings undergoing redevelopment represented approximately 50,000 sq.m, corresponding to around 15% of the total portfolio. The main project concerned the complete restructuring of the #cloud.paris building (33,000 sq.m) that began in 2013 and was completed in November when the building was delivered. The complete refurbishment of the office floors in 90 Champs-Élysées (around 7,000 sq.m) continued, with delivery taking place in March 2015. Another noteworthy project was the complete renovation of the Le Vaisseau building in Issy-les-Moulineaux (6,300 sq.m) which was delivered in January 2016.

In total, the investments made in 2015 amounted to €118 million.

On 31 December 2015, taking into account the deliveries made during the year, buildings undergoing redevelopment represented only around 5% of the total portfolio.

1.3. Property purchases and sales during the year

On 30 June 2015, SFL acquired a 6,700 sq.m office building located at 9 avenue Percier in Paris for €68 million including transfer costs. This very high quality asset offers potential to create value through the optimisation of its rental situation.

No properties were divested during the year.

Following these transactions, SFL continues to have the funds in place to take up investment opportunities when they arise in the market.

1.4. Property portfolio value

At 31 December 2015, the portfolio's appraisal value was €5,242 million excluding transfer costs (€5,519 million including transfer costs). All of the properties are located in Paris and the Paris region, with 80% (representing €4,166 million excluding transfer costs) situated in the Paris Central Business District.

The year-on-year increase was 15.7% on a comparable portfolio basis and 17.4% including the Percier building acquired in June 2015.

Substantially all of the portfolio consists of prime office properties (80% of the total), retail units and a hotel (19%). Residential units represent just 1% of the total and are located in a mixed-use building primarily made over to retail space.

The average value per square metre excluding transfer costs was €12,922 in 2015 and the spot yield[1] was 4.2%.

1. (Passing rents + market rent on vacant properties)/(Appraisal value including transfer costs + discounted capex).

2. Results

2.1. Consolidated results

Profit for the year

Profit attributable to owners of the parent totalled €492.9 million on 31 December 2015, compared to €197.7 million on 31 December 2014. This sharp rise was partly attributable to positive fair value adjustments to investment properties, but it also reflected improvements in all aggregates.

Rental income stood at €168.8 million on 31 December 2015, versus €151.5 million on 31 December 2014, an increase of €17.3 million (11.4%):

- On a comparable portfolio basis, rental income increased by €7.8 million (5.7%) as a result of new leases signed in 2014 and 2015 (primarily In/Out, Édouard VII and Cézanne Saint-Honoré); the effects of applying rent indexation clauses were very limited in 2015.
- Revenues from assets undergoing renovation during the period in question increased by €1.9 million, due mainly to the delivery in March 2015 of 90 Champs-Élysées and the initial rental income from the #cloud.paris building delivered in November 2015, partly offset by a reduction in revenues from the Le Vaisseau building which has been undergoing renovation since March 2015.
- The acquisition of the Condorcet (December 2014) and Percier (June 2015) buildings generated an increase in rental income of €9.1 million in 2015.
- Finally, the collection of a penalty payment for the early termination of a lease at Washington Plaza in 2014 led to an income reduction of €1.5 million in 2015.

Operating profit before disposal gains and losses and fair value adjustments to investment properties stood at €135.3 million on 31 December 2015, versus €121.5 million on 31 December 2014, an increase of 11.3%.

The portfolio's appraisal value on 31 December 2015 showed an increase of 15.7% over the year on a comparable basis, resulting in positive fair value adjustments to investment properties worth €513.7 million in 2015 (versus €227.5 million in 2014), after taking into account the negative impact (€49 million) of the increase in the transfer tax rate in Paris and the additional tax levied as from 1 January 2016.

Net financial charges stood at €69.6 million on 31 December 2015, versus €87.0 million on 31 December 2014. Derivative instrument fair value adjustments and recycling during the reporting period, as well as the repurchase in December 2015 of bonds for a nominal amount of €243.5 million and the renegotiation of certain credit lines, had a non-recurring cost impact of €22.3 million in 2015 (compared to €32.4 million in 2014). Recurring financial costs were down by €7.3 million on 31 December 2015, due to a reduction in average refinancing costs.

After taking account of these key items, attributable net profit on 31 December 2015 stood at €492.9 million, compared to €197.7 million on 31 December 2014. Excluding the impact of disposals, changes in the fair value of investment properties and financial instruments and the related tax effect, underlying attributable net profit (EPRA earnings) amounted to €65.8 million on 31 December 2015, versus €52.5 million on 31 December 2014, an increase of €13.3 million (25.3%).

Financing

SFL's debt structure further improved in 2015, with an extension of the average maturity of debt and a reduction in its average cost. This was the result, in particular, of a new €500 million bond issue with a term of seven years and a coupon of 2.25%, maturing on 16 November 2022, and the buyback of €243.5 million worth of bonds maturing in May 2016 and November 2017.

In addition, all of SFL's bank lines of credit (€700 million in revolving credit facilities and €208 million in mortgage loans) were renegotiated on favourable terms and a new €50 million credit line with a term of five years was obtained, strengthening the Group's ability to seize investment opportunities and cover its liquidity risk.

As a result of these renegotiations, the average maturity of its debt is now 4.9 years (versus 4.0 years on 31 December 2014) and the average cost is 2.4% (versus 2.9%).

In July 2015, Standard & Poor's upgraded SFL's credit rating to BBB/A2 (from BBB-/A3 previously), with a stable outlook, in recognition of the sharp increase in the portfolio's occupancy rate and the prospect of an improvement in the Group's operating aggregates.

On 31 December 2015, consolidated net debt totalled €1,841 million versus €1,572 million on 31 December 2014, representing a loan-to-value ratio of 33.4%. At that date, SFL also had €610 million in back-up lines of credit.

Net asset value

The consolidated market value of the portfolio on 31 December 2015 was €5,242 million excluding transfer costs, an increase of 17.4% in one year (€4,466 million on 31 December 2014) and of 15.7% on a comparable portfolio basis. This further increase in appraisal values reflects the investments made in 2015 to improve the properties (€118 million) and the value created by these development projects, as well as the appreciation in the properties' value linked to the narrower yields observed on the investment market for prime properties.

The average rental yield (based on 100% occupancy) stood at 4.2% on 31 December 2015, compared to 4.8% on 31 December 2014[1]. The EPRA yield (topped-up NIY) on 31 December 2015 was 3.7% (versus 3.9%).

EPRA NNNAV came to €2,721 million or €58.50 per share on 31 December 2015, compared to €49.40 per share on 31 December 2014, an increase of 18.5%.

(1) (Passing rents + market rent on vacant properties)/(Appraisal value including transfer costs + discounted capex).

2.2. Parent company results

Parent company results and financial position

Parent company results for the year ended 31 December 2015 can be analysed as follows:

The Company reported property rentals of €69.5 million on 31 December 2015 compared with €70.9 million on 31 December 2014. The year-on-year decrease of €1.4 million or 2% was due to the departure of the tenant from the Le Vaisseau building, which subsequently underwent renovation, and the absence of revenue from the Édouard VII car park, which was closed in October 2014 following a fire, partly offset by property rentals from the Percier building acquired on 30 June 2015.

The operating loss for the year deepened by €1.8 million to €5.7 million.

Net financial expense amounted to €17.3 million on 31 December 2015 versus €32.9 million on 31 December 2014. The €15.6 million improvement corresponded mainly to €9.5 million in cash payments received on unwound hedging positions in 2015 compared to €22.4 million paid in 2014.

After taking into account the above items, the Company reported a loss before tax and other income and expense of €23.0 million on 31 December 2015, versus a €36.8 million loss on 31 December 2014.

Other income and expenses represented a net expense of €3.7 million compared to net income of €68.4 million on 31 December 2014, which included the €69.0 million gain realised on the sale of SIIC de Paris shares.

The Company ended the year with a net loss of €26.7 million compared to a net profit of €31.5 million on 31 December 2014.

At 31 December 2015, the Company had total assets of €2,593 million, up 5% from €2,479 million at the previous year-end.

A five-year financial summary for the parent company is provided in the appendix to this Management Report, as required by Article R.225-102 of the French Commercial Code (page 82).

INFORMATION ON TRADE PAYABLES (PROVIDED IN COMPLIANCE WITH ARTICLES L.441-6-1 AND D.441-4 OF THE FRENCH COMMERCIAL CODE)

The table below analyses trade payables by type of supplier and payment schedule (in €):

At 31 December 2015	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Net
Goods and services suppliers	33,172	32,007	728,549	–	793,728
Fixed asset suppliers	492,461	252,940	1,822,055	–	2,567,455
Retention monies	–	–	–	259,746	259,746
Total	**525,632**	**284,947**	**2,550,604**	**259,746**	**3,620,929**

At 31 December 2014	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Net
Goods and services suppliers	278,236	49,106	746,157	–	1,073,499
Fixed asset suppliers	206,368	6,091,229	391,192	–	6,688,789
Retention monies	–	–	–	323,702	323,702
Total	**484,604**	**6,140,335**	**1,137,349**	**323,702**	**8,085,990**

Invoices more than 60 days old correspond to disputed invoices where payment has been withheld by the Company because the delivered goods or services were unsatisfactory.

Retention monies correspond to final payments for renovation work that are withheld until the problems listed on the snag list have been resolved. They are payable to the supplier when the problems have been resolved to the Company's satisfaction or automatically one year after delivery of the project unless the Company or the prime contractor has valid grounds for opposing their payment.

Appropriation of net profit

The Company reported a net loss for the year ended 31 December 2015, after tax and provision charges, of €26,718,556.09.

We recommend:

- To set off the loss for the year ended 31 December 2015 against retained earnings to the extent possible, reducing retained earnings from €517,032.60 to €0.
- To set off the remaining balance against the share premium account, which will be reduced by €26,201,523.49 from €758,450,719.15 to €732,249,195.66.
- After noting the availability of distributable reserves, paying to shareholders a net dividend of €1.05 per share, representing a total payout of €48,855,422.70 based on the 46,528,974 shares outstanding at 31 December 2015. The dividend will be paid out of the share premium account, which will be reduced from €732,249,195.66 to €683,393,772.96.

The shares will trade ex-dividend from 28 April 2016 and the dividend will be paid in cash from 2 May 2016. Dividends on SFL shares held by the Company on that date – which are stripped of dividend rights – will be credited to retained earnings.

Under French tax rules (Article 112-1 of the *Code général des impôts*), returns of capital and distributions from the share premium account are not taxed in the hands of shareholders provided that all profits and reserves other than the legal reserve have already been distributed. The recommended dividend qualifies as a return of capital under the above tax rules.

Non-deductible expenses

The Company financial statements do not include any expenses that cannot be deducted for tax purposes (disclosure made in accordance with Articles 223 *quater* and 223 *quinquies* of the French Tax Code).

The 2015 accounting documents provided for in Article L.2323-8 of the French Labour Code *(Code du travail)* have duly been given to the Works Council.

Related party agreements

No related party agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code were entered into in 2015.

The commitments given to Nicolas Reynaud at the time of his appointment as Chief Executive Officer by the Board of Directors on 27 January 2015 were approved by the Annual General Meeting of 22 April 2015, in accordance with Article L.225-42-1 of the French Commercial Code. These commitments are described in section 3.4.1.2 of this report.

2.3. Review of the Group's main subsidiaries

On 31 December 2015, the scope of consolidation comprised the following companies (together referred to in this report as "the Group"):

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	–	–
Fully consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100
SCI Paul Cézanne	438 339 327	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50

Shareholders' pacts give the Group exclusive control over four companies that are 50%-owned.
Since the July 2014 sale of the Company's interest in SIIC de Paris, all subsidiaries are now controlled exclusively and fully consolidated.
Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.1% of the capital at 31 December 2015.

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2015 (in €)

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Outstanding guarantees granted by SFL	Last published net revenue	Last published profit/(loss)	Dividends received during the year	Fair value adjustments to the investment during the year
				Cost	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1. Subsidiaries (at least 50%-owned)											
SCI Paul Cézanne	56,934,400	113,967,098	100%	291,846,722	291,846,722	–	–	16,251,754	10,891,020	–	–
SCI 103 Grenelle	150	8,527,350	100%	1,168,570	1,168,570	165,794,745	–	9,766,100	4,903,155	–	–
SCI Washington	94,872,000	12,961,608	66%	79,788,878	79,788,878	114,777,901	–	21,137,888	8,443,190	–	–
2. Affiliates (10-50%-owned)											
SAS Parholding	15,000,000	8,986,059	50%	18,400,300	18,400,300	8,544,924	–	–	6,261,588	–	–
B - Aggregate information about investments not listed in A above:											
1. Subsidiaries (at least 50%-owned)											
	–	–	–	380,493	380,493	218,651,327	–	–	6,804,788	437,240	–
2. Affiliates (less than 50%-owned)											
	–	–	–	2,286,735	–	–	–	–	–	–	–

Related party transactions correspond to transactions between fully and proportionately consolidated companies.

3. Corporate Governance

3.1. Members of the Board of Directors and Management Committee as of 31 December 2015

The members of the Board of Directors and changes in the Board's membership during 2015 are presented in the Chairman's Report on corporate governance and internal control and risk management procedures (see Appendix 7.5).

The practices of the Board of Directors and the Committees of the Board are also described in detail in the Chairman's Report.

Members of the Management Committee as of 31 December 2015

Nicolas Reynaud, Chief Executive Officer(1)

Dimitri Boulte, Managing Director(2), Chief Operating Officer

François Sebillotte, Chief Resources Officer, Secretary to the Board

Fabienne Boileau, Chief Financial Officer(3)

François Derrian, Human Resources Director

Aude Grant, Transactions and Business Strategy Director

Franck Morin, Property Management Director(4)

Eric Oudard, Technical and Development Director

(1) Appointed Chief Executive Officer on 27 January 2015. Replaced as Chief Financial Officer on the same day.

(2) Appointed Managing Director on 27 January 2015. Previously Deputy Managing Director.

(3) Appointed Chief Financial Officer on 27 January 2015. Previously Management Control and Accounting Director.

(4) Left the Company on 22 January 2016.

Note: On 1 January 2016, Pierre-François Chiapponi was named Leasing and Investments Director and a member of the Management Committee. He was previously Leasing Director.

Nicolas Reynaud, 54, joined SFL in 2006 as Chief Financial Officer/Deputy Managing Director and member of the Management Committee. He was appointed Managing Director in 2008. He began his career in 1984 with CAMCA before moving to Sophia, where he held various positions between 1988 and 2005, including Deputy Managing Director and Chief Financial Officer.
Nicolas Reynaud was appointed Chief Executive Officer by the Board of Directors on 27 January 2015 and gave up his position as Chief Financial Officer on the same day.

François Sebillotte, 60, has been Chief Resources Officer since 2001 and Secretary to the Board since 2011. He began his career in 1982 with law firm KPMG Fidal. From 1987 to 1992, he worked as Director of Legal Affairs for business guide publisher Éditions Liaisons, later serving as the head of Legal Affairs and a member of the Management Committee for investment fund Unigrains, until joining SFL. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA.

Dimitri Boulte, 38, joined SFL in 2011 as Deputy Managing Director and Chief Operating Officer with overall responsibility for investments, asset management, technical matters, business development and marketing.

He is a graduate of HEC business school and holds a CEMS Master of International Management degree from Bocconi University, Milan. He worked at Unibail-Rodamco for nine years in a variety of management positions, serving successively as Office Division Investment Manager (2004-06) Office Division Development Manager (2006-07) and Development Director for Large Urban Projects (2008-11). He also played a role in creating and developing the Real Estate Chair at HEC where he was a lecturer. Dimitri Boulte was appointed as Managing Director by SFL's Board of Directors on 27 January 2015. He is also Chief Operating Officer.

Fabienne Boileau, 48, has served as Chief Financial Officer since 27 January 2015. She was previously Management Control and Accounting Director. A graduate of ESC Reims business school and a qualified accountant, she joined SFL in 2005 after spending three years with KPMG Audit and holding various positions in the Budget Control department at Crédit Agricole SA.

François Derrian, 46, is the Group's Human Resources Director. A graduate of Institut de Gestion Sociale with an "AES" degree (combining law, economics, management and social sciences), he joined SFL in 2002 after holding various human resources positions with Auchan and Pinault Printemps La Redoute (Pinault Distribution, FNAC).

Aude Grant, 34, joined the Group as Transactions and Business Strategy Director in 2014. A graduate of HEC business school, she began her career in the Transaction Services department of Deloitte. In 2006, she joined the Foncière des Régions group, where she successively held the positions of Analyst, Portfolio & Acquisitions Manager and Office Division Asset Management and Investments Director.

Franck Morin, 43, is Property Management Director. A graduate of ICH, he began his career with SIMCO in 1996 before moving to Generali Immobilier in 2000. He joined SFL in 2003.
Franck Morin left the Company on 22 January 2016.

Éric Oudard, 47, joined SFL's Management Committee as Technical and Development Director in 2014. He is a graduate of the Ponts et Chaussées engineering school and an affiliate member of the Chartered Institute of Building Services Engineers (CIBSE). Prior to joining SFL, he held positions with Accor, Casino Immobilier, Pierre et Vacances and Luminatis.

3.2. Directorships and other positions held by the Chief Executive Officer and the Managing Director as of 31 December 2015

The positions and directorships held by Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director, as of 31 December 2015 are presented below.

The positions and other directorships held as of 31 December 2015 by the Chairman and the other members of the Board are listed in the Chairman's Report on Corporate Governance and Internal Control in Appendix 7.5.

Nicolas Reynaud

– Chief Executive Officer (since 27 January 2015)
First appointment: Managing Director (2008)
Second appointment: Chief Executive Officer (2015)
Business address: 42 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2015:

In France – SFL Group:

– Chief Executive Officer
  • Société Foncière Lyonnaise (SA)
Chairman and Chief Executive Officer
  • Segpim (SA)
Chief Executive Officer
  • Parholding (SAS)

Other directorships and positions held in the past five years:

– Managing Director (until 27 January 2015)
– Chief Financial Officer (until 27 January 2015)

Dimitri Boulte

– Managing Director (since 27 January 2015)
– Chief Operating Officer
Business address: 42 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2015:

In France – SFL Group:

– Chief Executive Officer
  • Locaparis (SAS)
– Director
  • Segpim (SA)

Other directorships and positions held in the past five years:

None

3.3. Proposed resolutions concerning the election or re-election of directors

At the General Meeting held on 13 November 2015, Nuria Oferil Coll, Sheikh Ali Bin Jassim Al Thani and Adnane Mousannif were elected as directors, raising the number of Board members to 16.

The terms of the following directors will expire at the Annual General Meeting called to approve the 2015 financial statements: Anne-Marie de Chalambert, Chantal du Rivau, Juan José Brugera Clavero, Jacques Calvet, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda, Pere Viñolas Serra, Anthony Wyand and Reig Capital Group Luxembourg SARL.

Shareholders will be asked to re-elect Anne-Marie de Chalambert and Anthony Wyand for a one-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2016, and to re-elect Chantal du Rivau, Juan José Brugera Clavero, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda, Pere Viñolas Serra and Reig Capital Group Luxembourg SARL for a three-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2018.

In accordance with the Articles of Association, Anne-Marie de Chalambert and Anthony Wyand are proposed for re-election for one-year terms as they are both over 70 years of age, while the other directors are proposed for the standard three-year term.

Jacques Calvet has decided to step down from the Board at the close of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2015. Shareholders will be asked to formally note that Mr Calvet is not standing for re-election and to decide not to replace him on the Board.

Anne-Marie de Chalambert, Chantal du Rivau, Juan José Brugera Clavero, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda, Pere Viñolas Serra and Reig Capital Group Luxembourg SARL – represented since 2 March 2016 by Maria Reig Moles – have all confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

3.4. Remuneration and benefits

3.4.1 Remuneration and benefits paid to the Chairman, the Chief Executive Officer and the Managing Director

This section presents the remuneration and benefits paid to the corporate officers, i.e., Juan José Brugera Clavero, Chairman of the Board of Directors, Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director.

The tables prepared in accordance with the Autorité des Marchés Financier's position paper/recommendation no. 2009-16 and the AFEP-MEDEF Corporate Governance Code for Listed Companies are presented in section 3.4.1.4 below.

The components of the corporate officers' remuneration that will be submitted to an advisory vote at the Annual General Meeting in accordance with the AFEP-MEDEF Corporate Governance Code for Listed Companies are presented in section 3.4.1.5 below.

3.4.1.1 Remuneration and benefits of the Chairman of the Board of Directors, Juan José Brugera Clavero

On 27 January 2015, on the recommendation of the Remuneration and Selection Committee, the Board decided to separate the positions of Chairman and Chief Executive Officer. Juan José Brugera Clavero, who had served as Chairman and Chief Executive Officer on a *pro tempore* basis since 23 July 2014, pending the appointment of a new Chief Executive Officer, continues to serve as Chairman of the Board of Directors. He was not paid any remuneration in his capacity as Chief Executive Officer between 23 July 2014 and 27 January 2015.

Juan José Brugera Clavero is paid a fixed fee of €150,000 in his capacity as Chairman of the Board of Directors.

He also receives annual attendance fees of €36,000.

On 17 June 2015, he was awarded 4,500 performance shares by the Board.

3.4.1.2 Remuneration and benefits of the Chief Executive Officer, Nicolas Reynaud

Nicolas Reynaud was appointed as Chief Executive Officer and his remuneration was decided by the Board of Directors on 27 January 2015.

Salary

Nicolas Reynaud receives a gross annual salary of €305,500. In 2015, his salary was calculated based on the period served as Chief Executive Officer and amounted to €304,431.

Bonus

Nicolas Reynaud's 2015 bonus, paid in 2016, was calculated according to the method decided by the Board of Directors on 3 March 2015 and amounted to €344,129.

Performance shares

On 17 June 2015, Nicolas Reynaud was awarded 11,250 performance shares by the Board.

Compensation for loss of office

On 27 January 2015, the Board of Directors decided on the compensation for loss of office that would be payable to Nicolas Reynaud in certain circumstances.
Compensation for loss of office equal to two years' salary and bonus would be paid to Nicolas Reynaud if he were to be dismissed from his position as Chief Executive Officer as a result of a change of control or strategy (and for reasons other than gross or wilful misconduct), provided certain performance conditions were met.
The salary used for the calculation would be his annual salary at the time of separation.
Up to 31 December 2017, the bonus used for the calculation would correspond to the last annual bonus paid to him prior to his separation.
As from 1 January 2018, it would correspond to the average of the bonuses paid to him for the final three years.
The compensation amount would also depend on the growth in the previous year's EPRA earnings compared with average EPRA earnings for the two preceding years, as follows:

EPRA earnings vs. average for two preceding years	Compensation for loss of office
100% or more	100%
Between 90% and 100%	80%
Between 75% and 90%	50%
Less than 75%	0%

In effecting the comparison, account would be taken of changes in the property portfolio in the years concerned.

This commitment for the payment of compensation for loss of office was submitted to shareholders at the Annual General Meeting of 22 April 2015, in accordance with Articles L.225-38 and L.225-42-1 of the French Commercial Code.

Benefits in kind

Nicolas Reynaud has the use of a company car and is covered by private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* or GSC).

3.4.1.3 Remuneration and benefits of the Managing Director, Dimitri Boulte

Dimitri Boulte was appointed Managing Director by the Board of Directors on 27 January 2015. His employment contract with the Company remains in force and he is not paid any other remuneration in his capacity as a corporate officer (*mandataire social*).

Salary

Dimitri Boulte receives a gross annual salary of €208,093.

Bonus

Dimitri Boulte's 2015 bonus, paid in 2016, was calculated according to the method decided by the Board of Directors on 3 March 2015 and amounted to €189,243 (see Table 2 below).

Performance shares

On 17 June 2015, Dimitri Boulte was awarded 9,000 performance shares by the Board.

Benefits in kind

Dimitri Boulte has the use of a company car.

3.4.1.4 Remuneration summaries

The following tables have been prepared in accordance with the Autorité des Marchés Financier's position paper/recommendation no. 2009-16 and the AFEP-MEDEF Corporate Governance Code for Listed Companies as revised in November 2015.

All amounts in these tables are presented in euros.

TABLE 1 – SUMMARY OF REMUNERATION PAID AND STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José Brugera Clavero Chairman and Chief Executive Officer until 27 January 2015 Chairman of the Board of Directors as from 27 January 2015	2014	2015
Remuneration due for the year (see Table 2 for details)	186,000	186,000
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year(1) (see Table 6 for details)	55,743	76,663
Total	**241,743**	**262,663**

(1) 3,750 performance shares were awarded to Juan José Brugera Clavero at the Board Meeting of 4 March 2014 and 4,500 at the Board Meeting of 17 June 2015. The performance share vesting conditions and values are presented in section 3.4.4 below.

Nicolas Reynaud Managing Director until 27 January 2015 Chief Executive Officer as from 27 January 2015	2014	2015
Remuneration due for the year(1) (see Table 2 for details)	443,369	745,325
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year(2) (see Table 6 for details)	64,930	191,657
Total	**508,299**	**936,982**

(1) 2014 remuneration: remuneration due in 2014 (Table 2) – 2013 bonus paid in 2014 + 2014 bonus paid in 2015.
2015 remuneration: remuneration due in 2015 (Table 2) – 2014 bonus paid in 2015 + 2015 bonus paid in 2016.

(2) 4,369 performance shares were awarded to Nicolas Reynaud at the Board Meeting of 4 March 2014 and 11,250 at the Board Meeting of 17 June 2015. The performance share vesting conditions and values are presented in section 3.4.4 below.
Nicolas Reynaud's remuneration for the period until 27 January 2015 presented above corresponds to the amounts paid to him under his employment contract as Chief Financial Officer. He was not paid any additional remuneration for serving as Managing Director up to that date.

Dimitri Boulte Managing Director as from 27 January 2015	2014	2015
Remuneration due for the year[1] (see Table 2 for details)		308,275
Fair value of stock options granted during the year		0
Fair value of performance shares awarded during the year[2] (see Table 6 for details)		153,326
Total		**461,601**

(1) 2015 remuneration: remuneration due in 2015 (Table 2) – 2014 bonus paid in 2015 + 2015 bonus paid in 2016.

(2) 9,000 performance shares were awarded to Dimitri Boulte at the Board Meeting of 17 June 2015. The performance share vesting conditions and values are presented in section 3.4.4 below.
Dimitri Boulte's remuneration presented above corresponds to the amounts paid to him under his employment contract as Chief Operating Officer. He is not paid any additional remuneration for serving as Managing Director since 27 January 2015.

TABLE 2 – BREAKDOWN OF REMUNERATION PAID TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José Brugera Clavero Chairman and Chief Executive Officer until 27 January 2015 Chairman of the Board of Directors as from 27 January 2015	2014		2015	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary[1]	150,000	150,000	150,000	150,000
Annual bonus	0	0	0	0
Exceptional bonus	0	0	0	0
Directors' fees[2]	36,000	36,000	36,000	36,000
Benefits in kind	0	0	0	0
Other	0	0	0	0
Total	**186,000**	**186,000**	**186,000**	**186,000**

(1) The above remuneration was paid to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors. He was not paid any remuneration for serving as Chief Executive Officer from 23 July 2014 until 27 January 2015.

(2) Directors' fees based on the annual amount of €36,000 allocated to the Chairman of the Board of Directors and/or of a Committee of the Board by decision of the Board of Directors on 9 December 2008.

Nicolas Reynaud Managing Director until 27 January 2015 Chief Executive Officer as from 27 January 2015	2014		2015	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary	251,893	251,893	304,431	304,431
Annual bonus[1]	186,647	186,647	178,122	178,122
Exceptional bonus	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind[2]	3,619	3,619	12,034	12,034
Other[3]	9,735	9,735	84,731	84,731
Total	**451,894**	**451,894**	**579,318**	**579,318**

(1) The method for calculating Nicolas Reynaud's bonus was decided by the Board of Directors on 14 February 2013 for the 2013 bonus paid in 2014 and on 4 March 2014 for the 2014 bonus paid in 2015.
Nicolas Reynaud's 2015 bonus, paid in 2016, was calculated according to the method decided by the Board of Directors on 3 March 2015 and amounted to €344,129.
At its 4 March 2014 meeting, the Board of Directors decided on the performance criteria to be used to determine the 2014 bonuses of the Chief Executive Officer and the Managing Director, based on the recommendation of the Remuneration and Selection Committee.
These bonuses were determined as follows:
- 50% of the bonus was based on an annual financial target for the Group as a whole (quantitative bonus), and
- 50% was based on personal performance targets (qualitative bonus).

For 2014, the first 50% of the bonus was based on EPRA earnings, with a target of €51.6 million, and was calculated as shown below:

Actual performance as a % of the target	2014 quantitative bonus as a % of salary[a]	
	Chief Executive Officer	Managing Director[b]
A. 122% and over	145%	116%
B. 100%	100%	80%
C. 70% and over	60%	48%
D. Less than 70%	0	0

(a) Before weighting for the portion of the total bonus represented by the quantitative bonus.

(b) These percentages may be adjusted if performance shares are granted during the reference year. In this case, the Managing Director's bonus would represent 70% of his salary if the performance target was met (100% achievement rate).
- Less than 70%: 0
- Between 70% and 100%: linear calculation between rates C and B
- 100%: rate B
- Between 100% and 122%: linear calculation between rates B and A
- Above 122%: rate A

The performance targets for the 2015 bonuses of the Chief Executive Officer and the Managing Director were approved by the Board of Directors on 3 March 2015 based on the recommendation of the Remuneration and Selection Committee.

The same breakdown applied as in 2014, as follows:
- 50% of the bonus was based on an annual financial target for the Group as a whole (quantitative bonus), and
- 50% was based on personal performance targets (qualitative bonus).

However, the Board decided that the quantitative bonus for 2015 should be based not just on EPRA earnings but also on a second criterion closely linked to the Company's business and management actions – rental income. The following objectives were set for these two criteria for 2015:
- EPRA earnings: €55.4 million
- Rental income: €159.3 million

The average of the achievement rates for these two criteria was taken as the overall achievement rate used to determine the quantitative bonus for 2015, applying the correspondence table referred to above which remained unchanged.

The qualitative performance targets for 2014 and 2015 were clearly defined in advance. They are not disclosed for confidentiality reasons.

(2) Benefits in kind: company car and private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* or GSC).

(3) Matching employer payments on voluntary contributions for 2014 and 2015 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, rights under the non-discretionary and discretionary profit-sharing plans for 2013 and 2014 (paid in 2014 and 2015 respectively) set up pursuant to internal agreements with employee representatives dated 20 June 2002, 30 June 2011, and 26 June 2014 (profit shares payable in 2016 in respect of 2015 had not been determined at the date this document was published), and settlement of vacation pay accruing to Nicolas Reynaud as of the date of termination of his employment contract on 27 January 2015.

Dimitri Boulte Managing Director as from 27 January 2015	2014		2015	
	Due for the year	Paid for the year	Due for the year	Paid for the year
Salary			208,093	208,093
Annual bonus[1]			89,061	89,061
Exceptional bonus			0	0
Directors' fees			0	0
Benefits in kind[2]			5,817	5,817
Other[3]			22,298	22,298
Total			**325,269**	**325,269**

(1) The 2014 bonus paid to Dimitri Boulte in 2015 in his capacity as Chief Operating Officer was determined by the method applied to the bonuses of salaried Management Committee members, as decided by the Board of Directors on 4 March 2014.
His 2015 bonus, paid in 2016, was calculated according to the method decided by the Board of Directors on 3 March 2015 and amounted to €189,243.
The criteria and method applied to determine the bonus are described in footnote (1) to the above table concerning Nicolas Reynaud.

(2) Company car.

(3) Matching employer payments on voluntary contributions for 2015 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the non-discretionary and discretionary profit-sharing plans for 2014 (paid in 2015) set up pursuant to internal agreements with employee representatives dated 20 June 2002 and 26 June 2014. Profit shares payable in 2016 in respect of 2015 had not been determined at the date this document was published.

TABLE 4 – STOCK OPTIONS GRANTED DURING THE YEAR TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES

Name	Plan no. and date	Type of stock options (purchase or subscription)	Fair value of stock options as calculated in the consolidated accounts	Number of stock options granted during the year	Exercise price (in €)	Exercise period
Juan José Brugera Clavero	No stock options were granted during the year					
Nicolas Reynaud	No stock options were granted during the year					
Dimitri Boulte	No stock options were granted during the year					

TABLE 5 – STOCK OPTIONS EXERCISED BY THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR DURING THE YEAR

Name	Plan no. and date	Number of stock options exercised during the year	Exercise price
Juan José Brugera Clavero	No stock options were exercised during the year		
Nicolas Reynaud	No stock options were exercised during the year		
Dimitri Boulte	No stock options were exercised during the year		

TABLE 6 – PERFORMANCE SHARE RIGHTS GRANTED DURING THE YEAR TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES

Name	Plan no. and date	Number of performance share rights awarded during the year(1)	Fair value of performance share rights as calculated in the consolidated accounts(2)	Vesting date(3)	End of lock-up period(4)	Performance criteria(5)
Juan José Brugera Clavero	Plan 3 17 June 2015	4,500	76,663	16 June 2018	16 June 2020	(5)
Nicolas Reynaud	Plan 3 17 June 2015	11,250	191,657	16 June 2018	16 June 2020	(5)
Dimitri Boulte	Plan 3 17 June 2015	9,000	153,326	16 June 2018	16 June 2020	(5)
Directors	No performance share rights were awarded during the year					

(1) 24,750 performance share rights granted to the Chairman, the Chief Executive Officer and the Managing Director under the performance share plan approved by the Board of Directors on 17 June 2015 pursuant to an authorisation given by the Annual General Meeting on 22 April 2015. This corresponds for each grantee to the maximum number of shares that may vest under the plan approved by the Board of Directors on 17 June 2015, provided that they remain with the Group until the end of the vesting period and the performance conditions are met. Details of the performance conditions are provided in Appendix 7.2.

(2) The fair value of the performance shares corresponds to the number of shares expected to vest multiplied by the fair value per share. The number of shares expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate (70.83%). The fair value per share corresponds to the share price on the award date, adjusted for the discounted value of future dividends expected to be paid during the vesting period (€36.08 for performance share rights awarded under the plan dated 17 June 2015).

(3) Date when the performance shares will vest, provided that the grantee remains with the Group until that date and the performance conditions are met. The vesting date is timed to fall fifteen business days after the publication by the last of the Reference Companies to do so, of a press release announcing its results for the third financial year following the award date and not less than three years after the award date (i.e., 16 June 2018 at the earliest).

(4) Performance shares may not be sold or otherwise transferred for two years after the vesting date, with certain exceptions such as in the case of disability or death. In addition, in accordance with the recommendations contained in the AFEP-MEDEF Corporate Governance Code, after the end of the statutory two-year lock-up period, the Chairman, the Chief Executive Officer and the Managing Director are required to keep 40% of the shares for the remainder of their period of service with the Company, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

(5) The number of shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking is established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share over the vesting period. The performance criteria are presented in Appendix 7.2.

TABLE 7 – PERFORMANCE SHARES AWARDED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR THAT BECAME AVAILABLE DURING THE YEAR

Name	Plan no. and date	Number of performance shares that became available during the year	Vesting conditions
Juan José Brugera Clavero	Plan 1 16 February 2012	3,750	N/A
Nicolas Reynaud	Plan 1 16 February 2012	4,369	N/A
Dimitri Boulte	Plan 1 16 February 2012	4,369	N/A

TABLE 11 – INFORMATION ABOUT EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION SCHEMES, TERMINATION BENEFITS PAID OR PAYABLE AND NON-COMPETE INDEMNITIES PAID OR PAYABLE

Name	Employment contract		Supplementary pension benefits		Termination benefits paid or payable		Non-compete indemnity paid or payable	
	Yes	No	Yes	No	Yes	No	Yes	No
Juan José Brugera Clavero Chairman and Chief Executive Officer until 27 January 2015 Chairman of the Board of Directors as from 27 January 2015		X		X		X		X
Nicolas Reynaud Managing Director until 27 January 2015 Chief Executive Officer as from 27 January 2015		X(1)		X	X(2)			X
Dimitri Boulte Managing Director as from 27 January 2015	X(3)			X	X(4)			X

(1) In 2014, Nicolas Reynaud had an employment contract covering his duties as Chief Financial Officer, a position he had held since 15 May 2006.
The position of Managing Director, to which he was appointed by the Board on 25 September 2008, was not covered by the AFEP-MEDEF Corporate Governance Code, according to which, in a company with a Board of Directors, the Chairman of the Board and/or the Chief Executive Officer should not have an employment contract with the company.
Following his appointment as Chief Executive Officer, by decision of the Board of Directors on 27 January 2015, Nicolas Reynaud resigned from his salaried position as Chief Financial Officer with immediate effect.

(2) The terms and conditions governing the compensation for loss of office as Chief Executive Officer that would be payable to Nicolas Reynaud were decided by the Board of Directors at its meeting on 27 January 2015 (see section 3.4.1.2 above for details).

(3) In 2015, Dimitri Boulte had an employment contract covering his duties as Chief Operating Officer, a position he had held since 21 February 2011.
The position of Managing Director, to which he was appointed by the Board on 27 January 2015, is not covered by the AFEP-MEDEF Corporate Governance Code, according to which, in a company with a Board of Directors, the Chairman of the Board and/or the Chief Executive Officer should not have an employment contract with the company.

(4) In 2015, Dimitri Boulte would not have been entitled to any compensation for loss of office in the event that his appointment as Managing Director were to be terminated. However, under his employment contract, he would be entitled to a termination benefit if he were to leave the Company following a change of control. This benefit would be equal to double the total gross remuneration due for the calendar year preceding the change of control (see section 3.4.3 below for details).

3.4.1.5 Components of the remuneration due or awarded to Juan José Brugera Clavero, Nicolas Reynaud and Dimitri Boulte for the year ended 31 December 2015

In accordance with the AFEP-MEDEF Corporate Governance Code for Listed Companies as revised in November 2015, the components of the remuneration due or awarded to the corporate officers for the year ended 31 December 2015 will be submitted to an advisory vote at the Annual General Meeting.

Components of the remuneration due or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2015

Components of remuneration	Amount or accounting value submitted to the advisory vote	Comment
Salary	150,000	
Annual bonus	N/A	Juan José Brugera Clavero is not entitled to any annual bonus.
Long-term incentive bonus	N/A	Juan José Brugera Clavero is not entitled to any long-term incentive bonus.
Exceptional bonus	N/A	Juan José Brugera Clavero is not entitled to any exceptional bonus.
Stock options, performance shares and other deferred remuneration	76,663	Juan José Brugera Clavero was awarded 4,500 performance shares by the Board on 17 June 2015.
Directors' fees	36,000	Juan José Brugera Clavero receives a fixed fee in his capacity as Chairman of the Board.
Benefits in kind	N/A	Juan José Brugera Clavero is not entitled to any benefits in kind.
Termination benefit	N/A	Juan José Brugera Clavero would not be entitled to any compensation for loss of office.
Non-compete indemnity	N/A	Juan José Brugera Clavero would not be entitled to any non-compete indemnity.
Supplementary pension benefits	N/A	Juan José Brugera Clavero does not participate in any supplementary pension plan set up by the Group.

Components of the remuneration due or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2015

Components of remuneration	Amount or accounting value submitted to the advisory vote	Comment
Salary	304,431	
Annual bonus	344,129	Nicolas Reynaud's target bonus is determined based on quantitative and qualitative criteria decided each year by the Board of Directors on the recommendation of the Remuneration and Selection Committee (see section 3.4.1.4 for details).
Long-term incentive bonus	N/A	Nicolas Reynaud is not entitled to any long-term incentive bonus.
Exceptional bonus	84,731	Corresponding to matching employer payments on voluntary contributions made in 2015 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the non-discretionary and discretionary profit-sharing plans for 2014 (paid in 2015) set up pursuant to internal agreements with employee representatives dated 20 June 2002, 30 June 2011, and 26 June 2014. Profit shares payable in 2016 in respect of 2015 had not been determined at the date this document was published. Settlement in 2015 of vacation pay accruing to Nicolas Reynaud as of the date of termination of his employment contract on 27 January 2015.
Stock options, performance shares and other deferred remuneration	191,657	Nicolas Reynaud was awarded 11,250 performance shares by the Board on 17 June 2015.
Directors' fees	N/A	Nicolas Reynaud does not receive any directors' fees.
Benefits in kind	12,034	Nicolas Reynaud has the use of a company car and is covered by private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* or GSC).
Termination benefit	Not applicable in 2015	Nicolas Reynaud would receive compensation for loss of office equal to two years' salary and bonus (based on his annual salary on the separation date) if he were to be dismissed from his position as Chief Executive Officer as a result of a change of control or strategy (and for reasons other than gross or wilful misconduct), provided certain performance conditions were met. This compensation for loss of office was approved by the Annual General Meeting of 22 April 2015.
Non-compete indemnity	N/A	Nicolas Reynaud would not be entitled to any non-compete indemnity.
Supplementary pension benefits	N/A	Nicolas Reynaud does not participate in any supplementary pension plan set up by the Group.

Components of the remuneration due or awarded to Dimitri Boulte, Managing Director, for the year ended 31 December 2015

Components of remuneration	Amount or accounting value submitted to the advisory vote	Comment
Salary	208,093	
Annual bonus	189,243	Dimitri Boulte's target bonus is determined based on quantitative and qualitative criteria decided each year by the Board of Directors on the recommendation of the Remuneration and Selection Committee (see section 3.4.1.4 for details).
Long-term incentive bonus	N/A	Dimitri Boulte is not entitled to any long-term incentive bonus.
Exceptional bonus	22,298	Corresponding to matching employer payments on voluntary contributions made in 2015 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the non-discretionary and discretionary profit-sharing plans for 2014 (paid in 2015) set up pursuant to internal agreements with employee representatives dated 20 June 2002, 30 June 2011, and 26 June 2014. Profit shares payable in 2016 in respect of 2015 had not been determined at the date this document was published.
Stock options, performance shares and other deferred remuneration	153,326	Dimitri Boulte was awarded 9,000 performance shares by the Board on 17 June 2015.
Directors' fees	N/A	Dimitri Boulte does not receive any directors' fees.
Benefits in kind	5,817	Dimitri Boulte has the use of a company car.
Termination benefit	Not applicable in 2015	Under his employment contract, Dimitri Boulte would be entitled to a termination benefit if he were to leave the Company following a change of control, equal to double the total gross remuneration due for the calendar year preceding the change of control.
Non-compete indemnity	N/A	Dimitri Boulte would not be entitled to any non-compete indemnity.
Supplementary pension benefits	N/A	Dimitri Boulte does not participate in any supplementary pension plan set up by the Group.

3.4.2 Remuneration paid or awarded to directors

Since 1 January 2009, directors' fees are as follows:

- Director or non-voting director: €18,000/year
- Member of a Committee of the Board: €24,000/year
- Chairman of the Board and/or of a Committee of the Board: €36,000/year

Directors' fees are allocated on the above basis without taking into account each director's attendance rate.

TABLE 3 – DIRECTORS' FEES AND OTHER REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Name	Amounts paid in 2014	Amounts paid in 2015
Ali Bin Jassim Al Thani(1)		
Directors' fees	0	2,416
Other remuneration	0	0
Angels Arderiu Ibars(2)		
Directors' fees	14,917	18,000
Other remuneration	0	0
Jacques Calvet		
Directors' fees	24,000	24,000
Other remuneration	0	0
Anne-Marie de Chalambert		
Directors' fees	22,127	24,000
Other remuneration	0	0
Chantal du Rivau(3)		
Directors' fees	10,691	18,000
Other remuneration	0	0
Jean-Jacques Duchamp		
Directors' fees	24,000	24,000
Other remuneration	0	0
Carlos Fernandez-Lerga Garralda		
Directors' fees	36,000	36,000
Other remuneration	0	0
Carmina Ganyet i Cirera		
Directors' fees	24,000	24,000
Other remuneration	0	0
Carlos Krohmer (4)		
Directors' fees	12,381	18,000
Other remuneration	0	0
Luis Maluquer Trepat		
Directors' fees	18,000	18,000
Other remuneration	0	0
Adnane Mousannif(1)		
Directors' fees	0	2,416
Other remuneration	0	0
Nuria Oferil Coll(1)		
Directors' fees	0	2,416
Other remuneration	0	0
Pere Viñolas		
Directors' fees	36,000	25,359
Other remuneration	0	0
Anthony Wyand		
Directors' fees	24,000	34,641
Other remuneration	0	0
Reig Capital Group Luxembourg (represented by Carlos Enseñat Reig)		
Directors' fees	18,000	18,000
Other remuneration	0	0
Jean Arvis(5)		
Directors' fees	7,492	0
Other remuneration	0	0
Aref Lahham(6)		
Directors' fees	7,956	0
Other remuneration	0	0
Bertrand Letamendia(5)		
Directors' fees	5,619	0
Other remuneration	0	0
Carlos Losada Marrodan(7)		
Directors' fees	2,188	0
Other remuneration	0	0
Total	**287,371**	**289,248**

(1) Director from 13 November 2015.
(2) Director from 4 March 2014.
(3) Director from 28 May 2014.
(4) Director from 24 April 2014.
(5) Director until 24 April 2014.
(6) Director until 1 May 2014.
(7) Director until 13 February 2014.

3.4.3 Remuneration and benefits in kind paid to senior management other than corporate officers

The following table presents the total gross remuneration for 2015 paid by SFL to the persons who were members of the Management Committee as of 31 December 2015 other than the Chief Executive Officer and the Managing Director:

	2015
2015 salaries	763,685
2015 bonuses[(1)]	354,386
Benefits in kind	20,766
Exceptional bonuses	0
Non-discretionary/discretionary profit-sharing[(2)]	84,352
Matching payments to the Group Pension Savings Plan (PERCO)	13,860

(1) With the same 50/50 split between quantitative and qualitative targets as for the bonuses awarded to the Chief Executive Officer and the Managing Director, as decided by the Board of Directors on 3 March 2015.

(2) Non-discretionary and discretionary profit shares paid in 2015 pursuant to the internal agreements of 20 June 2002 and 26 June 2014. Profit shares payable in 2016 in respect of 2015 had not been determined at the date this document was published.

Amendment to employment contracts concerning payment of a termination benefit in the event of a change of control of the Company

At its meeting on 9 February 2004, the Board of Directors decided to insert a change of control clause in the employment contracts of the members of the Company's Management Committee.

The clause, which was updated in 2006, provides for the payment of a termination benefit equal to double the executive's 2006 remuneration in addition to the benefit due by law or under the collective bargaining agreement in the case of (i) dismissal, or (ii) resignation as a result of a significant change in responsibilities following a material direct or indirect change in the reference shareholders of the Company or of its controlling shareholder.

On 4 April 2008, the Board approved a proposal to set the gross benefit payable under the change of control clause at double the executive's total remuneration for the calendar year preceding the significant direct or indirect change in the reference shareholders of the Company or of its controlling shareholder.

At the same meeting, the Board also approved a proposal to reduce the time limit for claiming this benefit from two years to eighteen months, as from the next direct or indirect change in the ownership structure.

Note: Nicolas Reynaud resigned from his salaried position as Chief Financial Officer on 27 January 2015, following his appointment as Chief Executive Officer, and has not been covered by this change of control clause since that date.

3.4.4 Information about stock options and performance shares

TABLE 8 – SUMMARY OF STOCK OPTIONS GRANTED IN PREVIOUS YEARS

None

TABLE 9 – STOCK OPTIONS GRANTED TO AND EXERCISED IN 2015 BY THE TEN EMPLOYEES OTHER THAN CORPORATE OFFICERS WHO RECEIVED THE GREATEST NUMBER OF OPTIONS

None

The last stock option plan in force during 2015 (plan set up by the Board of Directors on 13 March 2007 using the authorisation given at the Annual General Meeting of 21 April 2005) expired on 12 March 2015 at the end of the options' eight-year life.

TABLE 10 – SUMMARY OF PERFORMANCE SHARE RIGHTS GRANTED IN PREVIOUS YEARS

	Plan 1			Plan 2	Plan 3
Date of General Meeting	9 May 2011				22 April 2015
Grant date	16 February 2012	5 March 2013	4 March 2014	16 February 2012	17 June 2015
Total performance share rights granted	49,481	52,716	50,972	20,516	40,992
of which rights granted to:					
Corporate officers	29,962	29,962	29,962	20,516	24,750
• Juan José Brugera Clavero	3,750	3,750	3,750	–	4,500
• Bertrand Julien-Laferrière	21,843	21,843	21,843	20,516	–
• Nicolas Reynaud	4,369	4,369	4,369	–	11,250
• Dimitri Boulte	–	–	–	–	9,000
Vesting date	**15 February 2015**	**4 March 2016**	**3 March 2017**	**15 February 2014**	**16 June 2018**
End of lock-up period	**14 February 2017**	**3 March 2018**	**2 March 2019**	**14 February 2016**	**15 June 2020**
Performance criteria		(1)		(2)	(3)
Number of vested performance shares as of 31 December 2015	44,375	–	–	20,516	–
Cumulative number of performance share rights cancelled or forfeited	–	16,293	22,557	–	450
Number of performance share rights outstanding at 31 December 2015	–	36,423	28,415	–	40,542

(1) The performance conditions are described in "Plan 1 Rules" below.

(2) The performance conditions are described in "Plan 2 Rules" below.

(3) The performance conditions are described in "Plan 3 Rules" in Appendix 7.2.

Plan 1 Rules

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the award date (i.e., for this award, the year ended 31 December 2015).

Continuing presence within the Group

The performance shares will vest only if, at the end of a three-year period, the grantee is still an employee or officer of the Company or another Group entity, as applicable, unless the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

Lock-up period

In accordance with the French Commercial Code, the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

In addition, for performance shares awarded to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives, after the end of this statutory two-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

Plan 2 Rules

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the second financial year following the award date.

Continuing presence within the Group

The shares will vest provided that the grantee serves as a corporate officer of the Company for an uninterrupted period of two years from the grant date, unless the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

Lock-up period

The performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

After the end of this statutory two-year lock-up period, 40% of the shares must be kept for as long as the grantee remains a corporate officer of the Company, reduced to 20% once the value of the shares exceeds a certain percentage of his or her annual remuneration.

3.4.5 Employee share ownership as of 31 December 2015

As of 31 December 2015, employees held 13,771 SFL shares directly and 7,402 SFL shares indirectly through the corporate mutual fund, together representing 0.05% of the capital.

4. Outlook and Risk Management

4.1. Subsequent events

Significant events since 31 December 2015

None

4.2. Outlook

Forecast developments and outlook

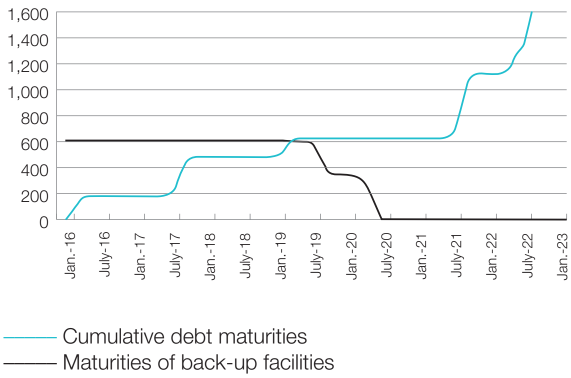
In a stalled economy where the leading indicators remain weak, the property markets may demonstrate a certain resilience, albeit with disparities depending on the quality of the assets. The growing flight to quality of both investors and clients confirms the validity of SFL's positioning in Paris's prime commercial property segment.

4.3. Risk factors

1 – Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2015, SFL had access to confirmed undrawn lines of credit representing €610 million compared with €600 million at 31 December 2014. As shown in the graph below, the liquidity represented by these back-up facilities is sufficient to cover repayment obligations under our lines of credit up until April 2019.

SFL liquidity risk (in € millions)



We efficiently manage liquidity risk by leveraging our available credit lines, diversified debt structure and high quality assets.

The acceleration clauses contained in the facility agreements are presented in Note VI-11 to the consolidated financial statements (page 141).

See also in Note VI-11 to the consolidated financial statements (Short- and long-term interest-bearing debt):

– Analysis of borrowings by maturity (page 142).

– Debt covenants and acceleration clauses (page 142).

2 – Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. The contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasised that these same banks finance a portion of the Group's debt. Counterparty risk is minimal because available cash is generally used to repay borrowings under the revolving lines of credit. The rental deposits obtained from tenants offer protection against the risk of rent default. The Company considers that its exposure to counterparty risk on operations is not material.

3 – Currency risk

SFL had no exposure to currency risks at 31 December 2015.

4 – Interest rate risk

Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing us to efficiently quantify and analyse the risks associated with interest rate fluctuations.

a) Objectives and strategy

Standard interest rate derivatives and fixed rate borrowings are used with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives. Steeper or flatter yield curves, market volatility, intrinsic interest rate levels and expected interest rate trends influence our choice of hedging instruments.

The new €500 million 2.25% bond issue has enabled us to obtain a historically low seven-year interest rate.

At 31 December 2015, 91% of debt was hedged against interest rate risks.

b) Risk assessment

The average spot cost of debt after hedging stood at 2.36% at 31 December 2015, versus 2.86% at 31 December 2014.

A 50-basis point rise in interest rates across the yield curve in 2015 would have had the effect of increasing the average cost of debt to 2.41%, driving up finance costs by €927 thousand or 1.6%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 2.32%, and reduced finance costs by €741 thousand or 1.3%.

The table below shows the Group's net exposure to interest rate risk after hedging:

(in thousands of euros)	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
BECM revolving facility	140,000	140,000	140,000	140,000	–
Lease liabilities	27,271	–	–	–	–
Current account advances	67,546	67,546	–	–	–
Total floating rate debt	**234,817**	**207,546**	**140,000**	**140,000**	**–**
Net unhedged position	**234,817**	**207,546**	**140,000**	**140,000**	**–**

See also Note VI-28 to the consolidated financial statements, page 146.

5 – The Company is exposed to changes in the economic environment and the property market

The Company's performance depends on several factors, including:

– The level of rental income, which in turn depends on the financial condition of tenants. A steep drop in economic growth or consumer demand, or a spike in inflation or rental indices could lead to cash flow problems for tenants who could then have difficulty paying their rent, potentially resulting in a fall in our rental income.

– The property cycle, which is also affected by the national and international economic and financial situation.

The property cycle can trigger a reversal of the rental and/or investment markets. Financial institutions were hit by the financial crisis of the last few years, and this had a knock-on effect on the main players in the property market.

Investment yields on prime real estate are continuing to decline due to investor appetite for this class of assets.

To measure and take into account the risk of a market downturn, tests have been performed to determine the sensitivity of our portfolio values to a 25-bps decrease or increase in perpetuity growth rates and discount rates. The tests show that a combined increase or decrease in these two rates would have a limited impact on the overall value of our portfolio, ranging from -6.1% to +6.9%.

– The availability of bank financing.

The credit market remains volatile in the current climate of financial instability resulting from the uncertain global economic recovery. Some market players may have to scale back their activities because of the need to refinance borrowings falling due in the coming years, while the banks may be less inclined to finance higher risk projects.

6 – Asset valuation risks

As a direct result of property market trends, the Company is exposed to the risk of a fall in value of its assets that would directly affect consolidated profit and ANAV.
The information needed to evaluate this risk is provided in Notes II-3, II-4 and VI-3 to the consolidated financial statements.

7 – The Company operates in a highly competitive property investment market

The French property investment market has become even more competitive as interest rates fall across the yield curve. Investment yields continue to be affected by the shortage of prime properties and the inflow of capital into the market, but the spread between prime office yields and the 10-year OAT rate nevertheless remains at a record high.

In this environment, our main competitors are investors with considerable equity capital, such as insurers, SCPI and OCPI property funds and sovereign wealth funds, and other investors with fairly low levels of debt and gearing.

8 – Tenant risks

We derive most of our revenue from renting our property assets to tenants. Therefore, any delay or default in rental payments would have an unfavourable impact on operating profit. At 31 December 2015, our top ten tenants accounted for around 41% of total rental income and the top five for roughly 27%. The tenant base comprises companies operating in a wide variety of sectors such as financial services, real estate, consulting, insurance, fashion and luxury goods, and also includes law firms and international organisations.

All rents are subject to escalation clauses, with 21% adjusted based on the INSEE construction cost index, 66% on the ILAT office rent index, 13% on the ILC commercial property rent index and 1% on the IRL residential property rent index.
Our ability to collect rent depends on tenants' solvency and liquidity position. Tenants may be unable to pay their rent on time or may default on their payments, or we may have to reduce the rent charged to certain tenants due to their financial position.

See Note VI-7 to the consolidated financial statements (Trade and other receivables).

9 – Risks associated with the availability and cost of financing

SFL needs to borrow money to finance strategic investments and acquisitions.

However, it may prove difficult or even impossible to raise debt or equity capital on attractive terms. This situation may arise due to (i) changing conditions in the capital markets or the property market, or (ii) any other change in the Company's business or financial position or the financial position of its majority shareholder that could affect how investors view SFL's credit quality.

Funds can be raised by selling assets, but this source of financing is subject to market risk. Fewer sales and troubled markets could lead to financial losses and the premature sale of assets could hinder implementation of our long-term strategy and result in lost opportunities. In addition, our ability to sell assets may be curtailed if the property market is not sufficiently liquid.

An inability to borrow money or raise financing due to unfavourable market conditions, a generally depressed economic environment or other factors specific to the Company could limit our ability to acquire new assets, finance property renovations and refurbishments and refinance existing debt.

The Company's financing needs could increase if acceleration clauses in existing loan agreements are triggered. Some loan agreements contain acceleration clauses that would be triggered if certain hard or soft covenants were breached, or if there was a change of control of the Company. A change of control is defined in our loan agreements as the loss by our current majority shareholder of its majority interest in SFL. The credit facilities concerned represented a total of €140 million at 31 December 2015.

10 – Risks associated with the loss of key personnel

The departure of a member of the senior management team or any other manager could result in a loss of critical know-how and, in some cases, give competitors and tenants access to sensitive information. Our success depends, in part, on our ability to retain the members of the Executive Committee and other key employees and continue to attract, motivate and retain highly qualified personnel. If key personnel are not retained, our business, financial position, results or future growth could be affected.

11 – Risks associated with subcontractors and other service providers

We use contractors and other service providers for major redevelopment projects and for the day-to-day maintenance of our properties. There is a limited number of construction companies with the capacity to carry out major renovation work or property development projects in Paris. We are therefore dependent on these firms for the timely completion of our projects. In addition, if a contractor involved in any such project were to go out of business or file for bankruptcy, or if the quality of its services were to decline, this could delay completion of the project and drive up costs. Unexpected delays in renovation or refurbishment work could extend the period during which properties are unavailable for rent, which could have an unfavourable impact on our business, financial position or results. Insolvency could also affect a contractor or service provider's ability to fulfil performance guarantees.

12 – Risks associated with the regulatory environment

As the owner of office buildings and properties designed for commercial use, in addition to the tax regulations associated with the SIIC tax regime, we must comply with a number of other regulations relating in particular to construction, public health, the environment, safety, commercial leases and administrative authorisations. Failure to comply with such regulations, and any changes thereto, including increasingly stringent environmental standards that make compliance more difficult and more expensive, could have an adverse effect on our results, profitability, growth or development prospects.

Complying with the applicable regulations and our own risk management policy could generate significant additional costs and have a negative impact on profitability. In certain circumstances, particularly in the case of environmental damage, a public health threat or reckless endangerment, we could be faced with a civil or even a criminal liability claim that would adversely affect our reputation.

In addition, like most property owners, we cannot guarantee that our tenants comply with all of the regulations applicable to them, particularly environmental, public health and safety regulations.

We are subject to environmental and public health regulations, and can be held liable for non-compliance with such regulations in our capacity as the current or former owner or the developer of the property in question. These regulations often hold the owner or developer liable regardless of whether they were aware of or responsible for the existence of hazardous or toxic substances. They may demand the reduction or elimination of material containing asbestos if a property is damaged, demolished, renovated, rebuilt or extended, and they also apply to the exposure to asbestos or its release to the atmosphere. Some of our properties contain or once contained materials containing asbestos.

The significant costs involved in identifying and eliminating hazardous or toxic substances could have a negative impact on our results, business or financial position. Non-compliance with the applicable environmental and public health regulations and changes to those regulations could lead to additional operating expenses and maintenance costs or hinder the development of our business, which could affect our results. In addition, if we cannot comply with regulations or prevent an environmental incident, our properties could lose their appeal and we could be subject to sanctions that could generate additional costs and damage our reputation. We may also need to pay legal expenses to defend ourselves against environmental claims or take measures to remedy newly identified environmental risks.

We have set up a risk management system guided by an environmental charter that describes the procedures for managing each identified environmental risk. Updated on a regular basis, tables monitoring the portfolio's exposure to such risks can be accessed on a dedicated server by all employees concerned.

To the best of the Company's knowledge, no claims or litigation are in progress or pending that would be likely to have a material impact on the business, assets and liabilities, financial position or results of the Company or the Group.

13 – Risks associated with government-related procedures

For most large-scale renovation projects, building and/or other permits have to be obtained from the relevant municipal authorities, sometimes including commercial property authorisations from the CDAC or improvement permits from local commissions overseeing compliance with health and safety regulations in buildings open to the public.

The process of securing these permits entails a risk of project delays, as some permits take longer than others to obtain, and a risk of changes to the building plan, as a permit's issuance may be conditional on the project's compliance with certain criteria.

Once the permits are obtained, there is still a risk that third parties will raise objections, which may introduce further project delays and, sometimes, plan changes.

We endeavour to limit these risks by drawing on the expertise of architects, design and engineering firms, inspection and certification firms, firms specialised in obtaining retail permits and other professionals, and by systematically reviewing projects with the municipal authorities to obtain feedback before submission and before the start of redevelopment or renovation work.

14 – Risks of neighbour complaints

Most SFL properties are located in densely settled urban areas, where large redevelopment projects can generate noise disamenities or vibration.

Neighbour complaints can lead to significant compensation claims or even injunctions to stop work.

When demolition work or work on the fabric of a building is planned, we systematically arrange for a court-appointed expert to prepare a report on the condition of neighbouring properties and on existing disamenities before the work begins.

Contractors are required to take measures to limit disamenities, mainly by keeping public spaces clean and managing traffic, dust, noise and vibrations. Noise levels and other disamenities are also regularly monitored. In addition, contractors are required to meet the high or very high-performance criteria under France's HQE standards for maintaining "green" worksites with a minimal environmental footprint.

15 – Risks associated with the majority shareholder

With the majority of SFL's share capital and voting rights, Colonial has considerable influence over the Company and can control the decisions made by the Board of Directors, as well as the ordinary and extraordinary decisions of shareholders in General Meetings. This means that Colonial can decide issues that are important for SFL, such as the election of directors, the approval of the financial statements, the distribution of dividends and changes to the Company's share capital.

Although SFL is a controlled company as explained above, we do not believe that there is any risk of the majority shareholder misusing its powers, particularly in light of the presence on the Board of Directors representing significant minority shareholders and independent directors, and the separation of the positions of Chairman of the Board and Chief Executive Officer.

16 – Risks associated with the SIIC tax regime

16.1 Conditions of eligibility for the SIIC tax regime

On 29 September 2003, SFL elected to be taxed under the REIT-style SIIC tax regime, with retroactive effect from 1 January 2003. Under this regime, SFL is exempt from paying corporate income tax on the portion of its profit generated by:

- The rental of property, including properties acquired under finance leases or leased temporarily from the State, a national or regional government agency or a publicly controlled entity.
- Capital gains realised on the sale of properties, finance lease rights, shares in look-through partnerships or shares in subsidiaries that have elected to be taxed as SIICs.
- Dividends received from qualifying subsidiaries.

Eligibility for the regime depends on certain conditions being met and SIICs are also subject to certain minimum distribution obligations.

16.1.1 Conditions for eligibility

SFL's eligibility for the SIIC tax regime depends on its ongoing compliance with all of the following conditions:

- The SIIC must be listed on a regulated market in France or a regulated market that complies with the requirements of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.
- It must have share capital of at least €15 million.
- Its main corporate purpose must be either to acquire or construct rental property or to take direct or indirect ownership interests in entities with an identical corporate purpose that are taxed as look-through partnerships or are subject to corporate income tax.
- No single shareholder or group of shareholders acting in concert may hold 60% or more of the share capital or voting rights of the SIIC, apart from certain exceptions expressly provided for by law, in particular when the shareholder or shareholders acting in concert that hold, directly or indirectly, more than 60% of the capital or voting rights are themselves SIICs.

16.1.2 Distribution obligations

The SIIC must distribute to shareholders:

- 95% of profits derived from the rental of property (including properties acquired under finance leases or leased temporarily from the State, a national or regional government agency or a publicly controlled entity) either directly or through companies governed by Article 8 of the French Tax Code, within one financial year.
- 60% of capital gains realised on (i) sales of property or finance lease rights either directly or through companies governed by Article 8 of the French Tax Code and (ii) sales of qualifying interests in property companies, within two financial years.
- 100% of the dividends received from subsidiaries that have elected to be taxed as an SIIC, within one financial year.
- 100% of the dividends received from other SIICs or from foreign REITs or from variable capital property investment companies ("SPPICAVs") that have been over 5%-owned for at least two years, within one financial year of the dividends being received.

16.2 Consequences of non-compliance with the conditions of eligibility for the SIIC tax regime

16.2.1 Non-compliance with conditions other than the 60% ownership ceiling

If any of these conditions were no longer fulfilled, the Company and its SIIC subsidiaries would lose their SIIC status. The main consequences of exiting the regime would be as follows:

- The Company and its subsidiaries would not benefit from the SIIC regime for the year during which the conditions were no longer fulfilled or for subsequent years. As a result, all of the profits generated during those years would be subject to corporate income tax.
- If the Company were to exit the SIIC regime within the first 10 years, any capital gains taxed at the reduced rate of 16.5% (or 19% as of 1 January 2009) on election for SIIC status (or when new assets became eligible for the SIIC regime) would be taxed at the full corporate income tax rate at the exit date, less the 16.5% or 19% tax paid when the election for SIIC status was made (or the assets became eligible for the SIIC regime).
- All capital gains realised after the Company exited the SIIC regime would be calculated by reference to the market value used to calculate the 16.5% exit tax paid when the Company elected for taxation as an SIIC (or the 19% tax for new assets that became eligible for the SIIC regime after 1 January 2009).
- All tax-exempt profits generated while the Company was an SIIC and not paid out in the form of dividends would have to be added back to the taxable profit of the Company and its subsidiaries when they exited the SIIC regime. All dividends subsequently paid out of after-tax profit would be eligible for the affiliation privilege, as would dividends paid out of profits taxed at the standard corporate income tax rate while the Company was an SIIC.
- The Company would be subject to an additional 25% tax on the portion of unrealised capital gains generated during the

tax-exempt period. Specifically, this rate would apply to the amount of unrealised capital gains generated on tax-exempt property since the Company's election for SIIC status, reduced by one tenth for every calendar year in which the Company was taxed as an SIIC.
– Lastly, if a commitment had been given to retain for five years properties or shares in property companies acquired from an entity subject to corporate income tax (in accordance with Article 210E of the French Tax Code), the Company would be liable for a penalty equal to 25% of the purchase price of the properties or shares.

16.2.2 Non-compliance with the 60% ownership ceiling

If the 60% limit were to be exceeded, the Company's SIIC status would simply be suspended for the financial year concerned, provided that (i) the breach was the first to occur since the election for SIIC status, i.e., during the 10 years following the Company's decision to be taxed as an SIIC or the subsequent 10-year period; and (ii) the situation was remedied before the financial year-end. As a consequence of this suspension, the Company would be subject to corporate tax at the standard rate on that year's profit, except that capital gains on sales of properties would be calculated by reference to the value used to calculate the exit tax paid when they became eligible for the SIIC regime, less depreciation previously deducted from tax-exempt earnings.

The suspension would be temporary, provided that the situation was remedied before the end of the financial year in which the breach occurred.

The Company and its subsidiaries could therefore recover tax-exempt status the following year. However, if the 60% limit were still exceeded at the end of that year, the SIIC status of the Company and its subsidiaries would be definitively revoked.

With the return to tax-exempt status, the amount of tax due in respect of unrealised gains on property normally eligible for SIIC tax exemption would be limited to those gains generated during the suspension period. They would be taxable at the reduced rate of 19%. Unrealised gains on taxable property would however not be immediately subject to tax.

If the limit were to be exceeded during the year due to a public tender offer or a transaction governed by the tax rules applicable to mergers, the rule would not be considered to have been breached provided that the shareholder's interest was brought back to below 60% by the deadline for reporting the SIIC's results for the year concerned.

If its SIIC status were definitively revoked after a suspension period, the Company would be liable for tax at the above-mentioned rates, plus the amount of tax that it would have paid had it returned to SIIC status, i.e., tax on unrealised capital gains generated during the suspension period on property normally eligible for SIIC tax exemption.

16.2.3 Non-compliance with distribution obligations

In the event of failure by the Company to comply with the distribution obligation for a given year, corporate income tax would be payable on the Company's total profit for the year concerned, at the standard rate.

If the Company were to comply with its distribution obligations for a given year but its tax-exempted profit were to be reassessed, only the undistributed portion of the reassessment would be subject to corporate income tax, after deducting any "excess" dividend already paid.

16.3 20% withholding

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from tax or taxed in France or abroad at a rate that is more than two-thirds lower than the standard French corporate income tax rate, the Company must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by the SIIC activities.

The 20% tax is due by the Company and not the shareholder. However, SFL's Articles of Association stipulate that the 20% tax will be deducted from dividends paid to the shareholder concerned, to avoid the Company and the other shareholders having to bear the cost.

The stipulation in the Articles of Association transferring the burden of the 20% tax to the shareholder at the origin of its payment may dissuade certain funds and other tax-exempt investors from acquiring a significant interest in the Company, and this in turn could adversely affect the share price.

16.4 15% withholding tax on dividends paid to pooled investment vehicles

Since 17 August 2012, sums paid out of tax-exempt "SIIC" profits and distributed to French UCITS (OPCVM, OPCI or SICAF property funds) or comparable foreign pooled investment vehicles, are subject to 15% withholding tax. This withholding tax does not discharge the shareholder from the payment of personal or corporate income tax and cannot be recovered or set off against any other tax liability.

The withholding tax could dissuade these pooled investment vehicles from acquiring a stake in our Company, which could affect the share price.

16.5 Future changes to the SIIC regime

The SIIC eligibility criteria and the resulting tax exemption may change as a result of changes to the law or new interpretations by the tax authorities.

These could be dealt with in one or several instructions issued by the tax authorities, the content of which was not known as of the date when this report was drawn up.

Further changes in the SIIC regime could have a material adverse effect on the Company's business, financial position and results.

4.4. Insurance

The insurance programmes cover (i) the property portfolio and (ii) corporate risks.

4.4.1 Property insurance

This policy taken out by SFL covers all of its property assets and those of its subsidiaries that are:
– fully owned, or
– co-owned.

It covers accidental damage to the properties on an all-risks basis with a limited number of named exclusions, as well as all resulting expenses and losses.

For co-owned buildings that are managed by a third-party manager, the policy includes "manager failure" cover that kicks in when the cover taken out by the manager is inadequate or no cover has been purchased.

The maximum insured value has been kept at €300 million, including loss of rental income, for all properties in the portfolio.

In 2014, a major project was undertaken to estimate the true rebuilding cost of the properties in the portfolio. The project's results are helping us to accurately determine the insurance capacity to be sought in the insurance market.

The work will be continued in 2016 and will take into account existing estimates of the rental income that would be lost during the time required to rebuild and repair the properties after a major incident, given their location, the complexity of the work that would be involved, the size of the site, unavoidable administrative time and possible planning objections by the public. Our properties are all located on prime sites and high quality insurance cover is essential.

The major fire that occurred in the Édouard VII car park in 2014 delayed implementation of these changes that will be effective in 2016. This will also be an opportunity to learn the lessons of the Édouard VII fire and to align our insurance cover with the specific needs that the fire brought to light.

The policy also covers the cost of repairing damage to new work arising during renovations to the insured properties, up to a maximum of €7.5 million. The aim of this extension is to cover under a single contract both damage to the original property and damage to work that will become an integral part of the property once it is completed. It is designed to ensure that we can fulfil our commitments in respect of work not covered by a comprehensive site insurance policy.

4.4.2 Corporate insurance

A) All-risks Office and IT

The All-risks Office and IT policy covers the furniture and equipment used at the Group's headquarters at 42 rue Washington and the Square Édouard VII conference centre in the 9th *arrondissement.*
Consequential losses and expenses are also covered.

B) IT Risks

The IT Risks policy covers all the costs that would be incurred to restore lost data as well as any supplementary IT costs that would be incurred as a result of malicious damage – including computer viruses – or a loss of data due to error, an accident or a natural catastrophe.
Damage to computer hardware is covered by the All-risks Office and IT policy described above.

C) General Liability

All of the Group's companies and operations, including both property management and trading, are covered by a single liability policy.

The policy covers:
- Third-party liability during operations and works, capped at €20 million (combined single limit), including €15 million for direct and consequential damage, of which accidental environmental damage cover and "inexcusable fault" cover of €1.5 million per claim and up to €2.5 million per year. "Inexcusable fault" cover has been extended to include the extension of damages resulting from the Constitutional Council's decision of 18 June 2010.
- Professional liability insurance, up to a maximum of €3 million per claim and per underwriting year (combined single limit), of which €1 million corresponds to professional liability insurance for the property management and trading activities carried out by Locaparis.

Liability cover for buildings undergoing major redevelopment has been reworked so that, in addition to the cover provided by the comprehensive site insurance policies purchased for each project, consequential losses incurred by third parties are also covered.

D) Directors' and Officers' Liability

This policy covers directors and officers, including *de facto* managers of the Company, against personal liability claims.

4.4.3 Construction insurance

The following insurance cover is purchased for all of our property redevelopment projects:

– Structural damage and developer insurance.

– Contractors all-risks insurance.

– Project sponsor liability insurance, which is in addition to the cover provided by the general liability policy described in point C) above.

4.5. Claims and litigation

No governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) may have or have had significant effects on the Company's financial position or profitability during the last 12 months.

See also Note IV-3 to the consolidated financial statements (Tax Audits).

5. SFL and its Shareholders

5.1. Information about the Company's capital

CHANGES IN CAPITAL OVER THE LAST FIVE YEARS (2011-2015)

Date	Description	Issues			New capital	
		Number of shares issued	Par value	Gross premium	Total number of shares	New capital
2011	None	–	–	–	46,528,974	€93,057,948
2012	None	–	–	–	46,528,974	€93,057,948
2013	None	–	–	–	46,528,974	€93,057,948
2014	None	–	–	–	46,528,974	€93,057,948
2015	None	–	–	–	46,528,974	€93,057,948

OWNERSHIP STRUCTURE AND VOTING RIGHTS AT 31 DECEMBER 2015

Main shareholders		Total shares	Total voting rights	Group total	% interest	% voting rights[1]
Inmobiliaria Colonial SA		24,726,400	24,726,400	24,726,400	53.14%	53.58%
DIC Holding LLC[c]		3,983,099	3,983,099	3,983,099	8.56%	8.63%
Qatar Holding LLC[c]		6,345,428	6,345,428	6,345,428	13.64%	13.75%
Sub-total DIC Holding and Qatar Holding (acting in concert)		*10,328,527*	*10,328,527*	*10,328,527*	*22.20%*	*22.38%*
Predica[a]	Groupe Crédit Agricole SA	5,979,064	5,979,064	6,119,064	12.85%	12.96%
Other subsidiaries (Crédit Agricole Assurance and Dolcea Vie[b]/Crédit Agricole Life Insurance Company/CALI Europe/CARE)		140,000	140,000		0.30%	0.30%
Sub-total Crédit Agricole Group		*6,119,064*	*6,119,064*	*6,119,064*	*13.15%*	*13.26%*
Reig Capital Group[d]		2,038,956	2,038,956	2,038,956	4.38%	4.42%
Sub-total, main shareholders		**43,212,947**	**43,212,947**	**43,212,947**	**92.87%**	**93.63%**
Free float		2,938,562	2,938,562	2,938,562	6.32%	6.37%
Treasury shares		377,465	–	377,465	0.81%	–
Total		**46,528,974**	**46,151,509**	**46,528,974**	**100.00%**	**100.00%**

(a) Life/health insurance subsidiaries of the Crédit Agricole Group.

(b) European broker, member of the Crédit Agricole Group and a wholly-owned subsidiary of CA-CIB.

(c) DIC Holding LLC and Qatar Holding LLC are shareholders acting in concert (see 214C0691, pages 33 and 34)

(d) Andorran holding company for the investments of the Reig Moles family.

(1) No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.
SFL's share capital at 31 December 2015 was €93,057,948.

To the best of the Company's knowledge, no other shareholder holds over 5% of the capital or voting rights and no agreement exists that could lead to a change of control of the Company.

CHANGES IN OWNERSHIP STRUCTURE AND VOTING RIGHTS

	2012[a]		2013[a]		2014[a]	
	% interest	% voting rights[b]	% interest	% voting rights[b]	% interest	% voting rights[b]
Inmobiliaria Colonial	53.45%	53.96%	53.14%	53.65%	53.14%	53.63%
Crédit Agricole Group, of which:	13.64%	13.77%	13.93%	14.06%	13.15%	13.27%
• *CA-CIB/CALYON*	*8.55%*	*8.63%*	*8.55%*	*8.63%*	–	–
• *Predica*	*5.09%*	*5.14%*	*5.09%*	*5.14%*	*12.85%*	*12.97%*
• *Crédit Agricole Chevreux*	*n.m.*	*n.m.*	*0.29%*	*0.29%*	–	–
• *Other subsidiaries (Crédit Agricole Assurances and Dolcea Vie[b]/Crédit Agricole Life Insurance Company/CALI Europe/CARE)*	–	–	–	–	*0.30%*	*0.30%*
Royal Bank of Scotland	7.41%	7.48%	7.49%	7.56%	–	–
Unibail Rodamco SE	7.25%	7.32%	7.25%	7.32%	–	–
Orion III European 3 SARL	6.39%	6.45%	6.39%	6.45%	–	–
DIC Holding LLC	–	–	–	–	8.55%	8.63%
Qatar Holding LLC	–	–	–	–	13.64%	13.76%
Reig Capital Group	4.38%	4.42%	4.38%	4.42%	4.38%	4.42%
Free float	6.53%	6.60%	6.48%	6.54%	6.22%	6.28%
Treasury stock	0.95%	–	0.94%	–	0.92%	–
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(a) At 31 December of each year.

(b) No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.

To the best of the Company's knowledge, there were no other shareholders holding more than 5% of the capital or voting rights in any of the three years presented.

Changes in interests disclosed to the Company since 1 January 2016

None

Changes in interests disclosed to the Company in 2015

None

Changes in interests disclosed to the Company in 2014

214C0561

On 11 April 2014, Crédit Agricole SA (12 place des Etats-Unis, 92127 Montrouge) disclosed that on 7 April 2014 its indirect interest in SFL held through several controlled companies (Predica, Crédit Agricole Assurances, Dolcea Vie, Crédit Agricole Life Insurance Company, CALI Europe, CARE and Crédit Agricole Corporate & Investment Bank) had been reduced to less than 10% of the Company's capital and voting rights, and that at that date, it indirectly held 2,508,509 SFL shares representing 5.39% of the capital and voting rights, as follows:

	Shares and voting rights	% interest and voting rights
Predica	2,368,509	5.09
Crédit Agricole Assurances	103,961	0.22
Dolcea Vie	15,000	0.03
Credit Agricole Life Insurance Company	8,663	0.02
CALI Europe	7,426	0.02
CARE	4,950	0.01
Crédit Agricole Corporate & Investment Bank	–	–
Total Crédit Agricole SA	**2,508,509**	**5.39**

The shares were sold off-market.
At the same time, Crédit Agricole Corporate & Investment Bank disclosed that it had reduced its interest to below 5% of the capital and voting rights and no longer held any SFL shares.

214C0565

On 11 April 2014, DIC Holding LLC[1] (8th Floor, Q-Tel Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar) disclosed that on 7 April 2014 it had increased its interest in SFL to over 5% of the Company's capital and voting rights and that at that date it held 3,978,554 SFL shares and voting rights, representing 8.55% of the capital and 8.64% of the voting rights[2].
The shares were purchased off-market.

(1) Controlled by The Amiri Diwan of the State of Qatar.

(2) Based on a total of 46,528,974 shares and 46,069,049 voting rights outstanding.

214C0571

On 14 April 2014, Royal Bank of Scotland plc[1] (PO Box 31, 36 Saint Andrew Square, Edinburgh EH2 2YB, Scotland, United Kingdom) disclosed that on 11 April 2014 it had reduced its interest to below 5% of the capital and voting rights and no longer held any SFL shares.
The shares were sold off-market.

(1) Controlled by The Royal Bank of Scotland Group plc.

214C0594

1) On 17 April 2014, Crédit Agricole SA (12 place des Etats-Unis, 92127 Montrouge) disclosed that on 11 April 2014 its indirect interest in SFL held through several controlled companies (Predica, Crédit Agricole Assurances, Dolcea Vie, Crédit Agricole Life Insurance Company, CALI Europe and CARE) had been increased to more than 10% of the Company's capital and voting rights, and that at that date, it indirectly held 5,881,223 SFL shares representing 12.64% of the capital and voting rights(1), as follows:

	Shares and voting rights	% interest and voting rights
Predica	5,741,223	12.34
Crédit Agricole Assurances	103,961	0.22
Dolcea Vie	15,000	0.03
Credit Agricole Life Insurance Company	8,663	0.02
CALI Europe	7,426	0.02
CARE	4,950	0.01
Total Crédit Agricole SA	**5,881,223**	**12.64**

The shares were purchased off-market.
At the same time, Predica disclosed that it had also increased its interest to more than 10% of the Company's capital and voting rights.

2) Crédit Agricole SA's disclosure letter included the following statement of intent:
"In accordance with Article L.233-7 VII of the French Commercial Code and Article 223-17 of the Autorité des Marchés Financier's General Regulations, Crédit Agricole SA hereby declares that the objectives of Crédit Agricole Assurances and its subsidiaries, Predica SA, Dolcea Vie, Crédit Agricole Life Insurance Company, CALI Europe and CARE, concerning their interests in Société Foncière Lyonnaise for the coming months are as set out below.

Crédit Agricole Assurances and its subsidiaries declare that:
- The 3,372,714 SFL shares were purchased off-market by Predica SA in application of its investment strategy for inclusion in the company's general insurance portfolio.
- They are not acting in concert with any other investor.
- Predica may make further purchases of SFL shares, depending on the results of its analyses and its investment strategy.
- They have no plans to acquire a controlling interest in SFL.
- The shares were purchased on the basis of SFL's strategy.
- They have no plans to intervene in this strategy and do not intend to carry out any of the transactions referred to in Article 223-17 I-6 of the Autorité des Marchés Financier's General Regulations.
- They are not party to any of the agreements and/or instruments referred to in paragraphs 4 and 4 *bis* of Article L.233-9-I of the French Commercial Code concerning SFL.
- They have not signed and are not party to any agreement for the temporary sale of SFL shares and/or voting rights.
- They do not plan to ask for any seats on SFL's Board of Directors."

(1) Based on a total of 46,528,974 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's General Regulations.

214C0691

1) In a letter received by SFL on 30 April 2014, followed by a further letter received on 2 May 2014, Qatar Holding LLC(1) (8th Floor, Q-Tel Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar) disclosed that it had crossed the following disclosure thresholds on 28 April 2014 as a result of off-market purchases of SFL shares:

- Its individual interest in SFL was increased to over 5% of the Company's capital and voting rights through off-market purchases, with 3,372,714 shares and voting rights held on the disclosure date, representing 7.25% of the Company's capital and voting rights(2).
- The interest held in concert with DIC Holding LLC(3) was increased to over 5%, 10% and 15% of the Company's capital and voting rights, with 7,351,268 shares and voting rights held in concert on the disclosure date, representing 15.80% of the Company's capital and voting rights(2), as follows:

	Shares and voting rights	% interest and voting rights
DIC Holding LLC	3,978,554	8.55
Qatar Holding LLC	3,372,714	7.25
Total shares and voting rights held in concert	**7,351,268**	**15.80**

At the same time, DIC Holding LLC's interest in SFL held in concert with Qatar Holding LLC rose to above 10% and 15% of the Company's capital and voting rights.

2) Qatar Holding LLC's disclosure letter included the following statement of intent:

Qatar Holding LLC and DIC Holding LLC hereby declare:

"In accordance with Article L.233-7 of the French Commercial Code, the following statement of intent is made for the next six months:

- The off-market purchase by Qatar Holding LLC from Unibail-Rodamco SE of 3,372,714 SFL shares was financed in full out of equity by Qatar Holding LLC.
- Qatar Holding LLC and DIC Holding LLC act in concert. There is no formal shareholders' pact between Qatar Holding LLC and DIC Holding LLC concerning their interests in SFL or stipulating that they will act in concert. Qatar Holding LLC and DIC Holding LLC do not act in concert with any other SFL shareholders.
- As of the date of this letter, Qatar Holding LLC and DIC Holding LLC together hold 7,351,268 SFL ordinary shares representing 15.80% of the Company's capital and voting rights.
- Qatar Holding LLC and DIC Holding LLC plan to make further purchases of SFL shares depending on the opportunities that arise. However, they do not intend to acquire control of the Company.
- Qatar Holding LLC and DIC Holding LLC intend to support the strategy implemented by SFL's management, while protecting their interests as minority shareholders of the Company.

– Qatar Holding LLC and DIC Holding LLC do not intend to carry out any of the transactions listed in Article 223-17-I-6 of the AMF's General Regulations.
– Qatar Holding LLC and DIC Holding LLC are not parties to any agreements and do not hold any of the financial instruments referred to in paragraphs 4 and 4 *bis* of Article L.233-9-I of the French Commercial Code.
– Qatar Holding LLC and DIC Holding LLC have not signed and are not party to any agreement for the temporary sale of SFL shares and/or voting rights.
– Qatar Holding LLC and DIC Holding LLC do not plan to ask for any seats on SFL's Board of Directors."

(1) Wholly-owned by The Qatar Investment Authority, which is controlled by the Qatari government.

(2) Based on a total of 46,528,974 shares and voting rights outstanding.

(3) Wholly-owned by The Amiri Diwan of the State of Qatar.

214C0694

On 2 May 2014, Unibail-Rodamco SE (7 place du Chancelier Adenauer, 75016 Paris) disclosed that it had reduced its interest in SFL on 28 April 2014 to below 5% of the capital and voting rights through the sale of 3,372,714 SFL shares in an off-market transaction with settlement/delivery on 5 May 2014, and that it no longer held any SFL shares.

214C0723

In a letter received by SFL on 6 May 2014, followed by a further letter received on 7 May 2014, Orion III European III SARL (11-13 boulevard de la Foire, L-1528, Luxembourg, Grand-Duchy of Luxembourg) disclosed that on 2 May 2014, it had reduced its interest in SFL to below 5% of the Company's capital and voting rights, and that it no longer held any SFL shares. The shares were sold off-market.

214C0781

1) In a letter received by SFL on 7 May 2014 followed in particular by a letter received on 13 May 2014, the concert group made up of DIC Holding LLC[1] and Qatar Holding LLC[2] (8th Floor, Q-Tel Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar) disclosed that on 1 May 2014 they had increased their combined interest in SFL to over 20% of the Company's capital and voting rights and that at that date they held 10,323,982 SFL shares and voting rights, representing 22.19% of the capital and voting rights[3] as follows:

	Shares and voting rights	% interest and voting rights
Qatar Holding LLC	6,345,428	13.64
DIC Holding LLC	3,978,554	8.55
Total shares and voting rights held in concert	**10,323,982**	**22.19**

At the same time, Qatar Holding LLC disclosed that its individual interest in SFL had increased to above 10% of the Company's capital and voting rights.

The shares were purchased off-market.

2) The disclosure letters included the following statement of intent:
"In accordance with Article L.233-7 VII of the French Commercial Code, the following statement of intent is made for the next six months:
– The off-market purchase by Qatar Holding LLC of 2,972,714 SFL shares was financed in full out of equity by Qatar Holding LLC.
– Qatar Holding LLC and DIC Holding LLC declare that they are acting in concert – they are under common management and the persons responsible for making investment decisions for Qatar Holding LLC and DIC Holding LLC are therefore the same. There is no formal shareholders' pact between Qatar Holding LLC and DIC Holding LLC concerning their interests in SFL or stipulating that they will act in concert. Qatar Holding LLC and DIC Holding LLC do not act in concert with any other SFL shareholders.
– As of the date of this letter, Qatar Holding LLC and DIC Holding LLC together hold 10,323,982 SFL ordinary shares representing 22.19% of the Company's capital and voting rights.
– Qatar Holding LLC and DIC Holding LLC plan to make further purchases of SFL shares depending on the opportunities that arise. However, they do not intend to acquire control of the Company.
– Qatar Holding LLC and DIC Holding LLC intend to support the strategy implemented by SFL's management, while protecting their interests as minority shareholders of the Company. Qatar Holding LLC and DIC Holding LLC do not intend to carry out any of the transactions listed in Article 223-17-I-6 of the AMF's General Regulations.
– Qatar Holding LLC and DIC Holding LLC are not parties to any agreements and do not hold any of the financial instruments referred to in paragraphs 4 and 4 *bis* of Article L.233-9-I of the French Commercial Code.
– They have not signed and are not party to any agreement for the temporary sale of SFL shares and/or voting rights.
– Qatar Holding LLC and DIC Holding LLC do not plan to ask for any seats on SFL's Board of Directors."

(1) Controlled by The Amiri Diwan of the State of Qatar. The Amiri Diwan is a government entity without any capital. DIC Holding LLC is an investment vehicle managed by The Qatar Investment Authority (QIA) and Qatar Holding LLC on behalf of The Amiri Diwan. The two senior executives of DIC Holding LLC are also senior executives of QIA.

(2) Controlled by QIA, the State of Qatar's sovereign wealth fund that does not have any capital.

(3) Based on a total of 46,528,974 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's General Regulations.

Changes in interests disclosed to the Company in 2013

On 29 May 2013, Crédit Agricole SA disclosed that its indirect interest in SFL had increased to above the 14% disclosure threshold on 23 May 2013 and that, at that date, it indirectly held 6,479,637 shares and voting rights, representing 13.93% of SFL's capital and 14.06% of the voting rights[1].

The additional SFL shares were purchased on the market by Crédit Agricole Assurances and Dolcea Vie, two subsidiaries of Crédit Agricole SA.

(1) Based on a total of 46,528,974 shares and 46,083,974 voting rights outstanding.

5.2. Share equivalents

The Company has not issued any other securities with rights to a share in the capital.

5.3. Directors' interests

Directors at 31 December 2015	Number of SFL shares held at 31 December 2015(1)
Juan José Brugera Clavero	3,775
Ali Bin Jassim Al Thani	25
Angels Arderiu Ibars	25
Jacques Calvet	1,000
Anne-Marie de Chalambert	25
Chantal du Rivau	30
Jean-Jacques Duchamp	25
Carlos Fernandez-Lerga Garralda	50
Carmina Ganyet i Cirera	30
Carlos Krohmer	30
Luis Maluquer Trepat	400
Adnane Mousannif	25
Nuria Oferil Coll	25
Pere Viñolas Serra	5,325
Anthony Wyand	100
Reig Capital Group Luxembourg SARL (represented by Carlos Enseñat Reig)	2,038,955
Total	**2,049,845**

(1) The Directors' Charter stipulates that each Director must disclose to SFL the shares held directly and indirectly, within the meaning of Article L.225-109 of the French Commercial Code. Article 17 of the Company's Articles of Association states that each director is required to hold at least 25 shares.

5.4. Transactions in SFL shares

Stock options granted to and exercised by the Chairman, the Chief Executive Officer and the Managing Director in 2015

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2015.

The last stock option plan in progress in 2015 expired on 12 March 2015, at the end of the options' eight-year life.

Performance share plans

Details of outstanding performance share plans are provided on pages 17, 23, 80 and 81.

Share buyback programme

The General Meeting of 22 April 2015 (11th ordinary resolution) authorised a share buyback programme with the following objectives:

- To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groupings in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq.* of the French Labour Code or other legal provisions, or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.
- To buy and sell shares under a liquidity contract with an investment firm that complied with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).
- To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company and to cover the Company's obligations towards the holders of these securities.
- To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.
- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the twelfth extraordinary resolution of the Annual Meeting authorising the Board of Directors to reduce the capital.
- Generally, to carry out any transaction leading to an obligation to deliver shares permitted or that could be permitted in the future by the applicable regulations.

The number of shares bought back in order to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger could not exceed 5% of the issued capital.

The maximum purchase price for these shares was set at €60 per share.

As of 31 December 2015, the Company held 377,465 shares in treasury, representing 0.81% of the capital.

These shares break down as follows based on the purpose for which they are held:

1. Shares purchased for allocation to SFL Group employees: 80,112.
2. Shares purchased under a liquidity contract with an investment firm: 8,181.
3. Shares held for delivery on exercise of rights attached to share equivalents: 265,889.
4. Shares purchased for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions: 23,283.
5. Shares purchased for the purpose of being cancelled: 0.

The Board of Directors has decided to table a resolution at the 26 April 2016 Annual General Meeting authorising a further buyback programme. The maximum purchase price for these shares would be set at €60 (sixteenth ordinary resolution).

The programme would concern the buyback of shares representing up to 10% of the Company's capital at the date of the Meeting, as adjusted if applicable for the effect of any capital increases or reductions carried out after the Meeting.

Based on the issued capital at 31 December 2015, up to 4,652,897 shares could be bought back under the programme. This ceiling would be adjusted in the event of any changes in issued capital that might take place in the period up to the date of the Annual General Meeting or in the subsequent period.

The aims of the programme would be:

- To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groupings in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq.* of the French Labour Code or other legal provisions, or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.
- To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).
- To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company and to cover the Company's obligations towards the holders of these securities.
- To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.
- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the first extraordinary resolution of the Annual Meeting authorising the Board of Directors to reduce the capital.
- Generally, to carry out any transaction leading to an obligation to deliver shares permitted or that may be permitted in the future by the applicable regulations.

When shares are bought back under a liquidity contract in accordance with the General Regulations of the Autorité des Marchés Financiers, the number of shares used to calculate the limit of 10% of the issued capital will correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The number of shares bought back to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger would not exceed 5% of the issued capital, i.e., 2,326,448 shares.

The authorisation would be given for a period of eighteen months.

SUMMARY OF DISCLOSURES

Disclosure of treasury share transactions for the period from 1 January 2015 to 31 December 2015	
Percentage of capital held by the Company and/or its subsidiaries	0.81%
Number of shares cancelled in the last 24 months	0
Number of shares held	377,465
Carrying amount of the shares	€20,375,524.21
Market value of the shares (at 31 December 2015)	€16,536,741.65

	Cumulative transactions		Open positions on the publication date of programme details			
			Open buy positions		Open sell positions	
	Purchases	Sales/Transfers[1]	Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	98,400	103,255	–	–	–	–
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€41.44	€40.95	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€4,077,440.64	€4,228,500.36	–	–	–	–

Transaction costs under the liquidity contract amounted to €26,800 in 2015.

(1) Not including the 44,375 vested performance shares awarded under Plan no. 1 dated 16 February 2012.

Transactions carried out by directors and officers or parties closely related to them in 2015

Pere Viñolas Serra, Director
Type of instrument: shares
Type of transaction: purchase
Transaction date: 18 June 2015
Disclosure date: 24 June 2015
Market: Euronext Paris
Unit price: €42.35
Transaction amount: €84,700

5.5. Items that could affect a public offer for the Company's shares

The following information about items that could affect a public offer for the Company's shares is presented in accordance with Article L.225-100-3 of the French Commercial Code:

- Details about the Company's ownership structure and its known direct and indirect shareholders are provided in section 5.1, together with all related information.
- The Articles of Association do not impose any restrictions on the exercise of voting rights, except that in the event of failure to disclose any increase in a shareholder's interest to above one of the disclosure thresholds specified in the Articles of Association, the undisclosed shares may be stripped of voting rights at the request of one or several shareholders together holding at least 2% of the capital (Article 10 IV of the Articles of Association).
- The Articles of Association do not impose any restrictions on the transfer of shares.
- To the best of the Company's knowledge, there are no shareholders' pacts or other agreements in force between the shareholders (see section 5.5.4).
- The Company has not issued any securities comprising any special rights of control.
- The voting rights attached to SFL shares held by employees through the Actions SFL corporate mutual fund are exercised by a representative appointed by the fund's Supervisory Board to vote on its behalf (see section 5.5.1).
- The rules governing the election and removal from office of members of the Board of Directors result from French law and the Company's Articles of Association.
- The delegations of authority to the Board of Directors are described in the above section on the share buyback programme and in the financial authorisations table in Appendix 7.4.
- Amendments to the Articles of Association are made in accordance with the applicable laws and regulations.
- Contracts entered into by the Company that would be affected or terminated by a change of control are described in section 5.5.3.
- Agreements providing for the payment of compensation for loss of office to corporate officers are described in sections 3.4 and 5.5.2.

5.5.1 Corporate mutual fund

The Actions SFL corporate mutual fund has a Supervisory Board set up in accordance with Article L.214-40 of the French Monetary and Financial Code *(Code monétaire et financier)*. As specified in the fund's rules, the Board comprises:

- three members representing employees and former employees, and
- three representatives of SFL.

It held one meeting in 2015, on 24 September, to review the fund's annual management report.

As of 31 December 2015, the fund held 7,402 SFL shares.

In accordance with Article L.214-40 of the Monetary and Financial Code, in the event of a public offer for SFL's shares, the fund's Supervisory Board would be required to hold a meeting in order to decide whether to tender these shares to the offer.

5.5.2 Employee compensation and severance schemes

As of 31 December 2015, two employees (including one person who was also an officer of the Company) would have been entitled to compensation if they had resigned or been dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the ownership structure of SFL or its controlling shareholder.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008.

In addition, all employees whose employment contracts are governed by the National Collective Bargaining Agreement for the Property Industry are covered by Addendum no. 6 to the Company-level agreement dated 1 July 1999 which provides for enhanced severance pay in the event of redundancy. In such a case, total severance pay would be calculated as follows, based on the employee's gross monthly salary at the date the employment contract was terminated:

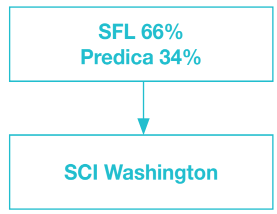
Length of service	Severance pay
1 to 2 years	4 months
2 to 4 years	5 months
5 to 6 years	6 months
7 to 10 years	7 months
11 to 14 years	8 months
15 to 18 years	9 months
19 to 21 years	10 months
22 years or more	10 months + half a month per year of service beyond 21 years

5.5.3 Partnerships

Partner	Joint venture	Main clauses
Predica[1]	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Predica the other partner has the option of: – agreeing to the change of control[2]; or – acquiring all the shares and shareholders' advances of the other partner; or – selling all its shares and shareholders' advances to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Life insurance subsidiary of Crédit Agricole Assurances.

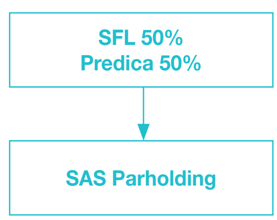
(2) Following the takeover of SFL by Grupo Inmocaral, through its subsidiary Inmobiliaria Colonial SA, the joint venture partners agreed to SFL's change of control, as provided for under the terms of the related shareholders' pact.



Partner	Joint venture	Main clauses
Predica[1]	Parholding SAS[2] (50%-owned by SFL)	In the case of a change of control (50%) of SFL or Predica the other partner has the option of: – either agreeing to the change of control, or – acquiring all the shares and shareholders' advances of the other partner; or – selling all its shares and shareholders' advances to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Predica, the life insurance subsidiary of Crédit Agricole Assurances, became SFL's partner in Parholding on 6 October 2009 by acquiring the 50% stake previously held by Ile-de-France Investissements. The joint venture was approved by the European Commission on 25 September 2009.

(2) To enable SFL to fully consolidate Parholding (in accordance with IAS 27 – Consolidated and Separate Financial Statements that is applicable by SFL as a company listed on a regulated market according to IFRS 10) without increasing its interest in Parholding's capital, Parholding's governance was changed and the shareholders' pact was amended with effect from 31 December 2012, to give SFL and its representatives the power to control the company's strategic, financial and operating decisions by virtue of a contractual arrangement.



5.5.4 Shareholders' pacts

See section 15 "Risks associated with the majority shareholder" on page 28.

a) Shareholders' pact between Colonial and Predica

The shareholders' pact signed between Colonial and Predica on 24 November 2004 at the time of sale by Colonial of 9.63% of SFL's capital (9.90% of the voting rights) ended on 24 November 2014.

Termination of the shareholders' pact was disclosed to the Autorité des Marchés Financiers.

214C0898

On 21 May 2014, the Autorité des Marchés Financiers was notified by Inmobiliaria Colonial[1] that its shareholders' pact with Predica[2][3] would end on 24 November 2014.

(1) Spanish company whose shares are traded on the Madrid and Barcelona stock exchanges.

(2) Controlled by Crédit Agricole.

(3) See D&I 204C1487 dated 7 December 2004.

b) Shareholders' pact between SFL and Realia Patrimonio

The shareholders' pact between SFL and Realia Patrimonio (a Spanish company) signed on 25 November 2010 was intended primarily to protect SFL's interests as minority shareholder of SIIC de Paris. It was terminated on 23 July 2014 when SFL sold its entire interest in SIIC de Paris.

Termination of the shareholders' pact was disclosed to the Autorité des Marchés Financiers.

214C1529

On 24 July 2014, Société Foncière Lyonnaise (42 rue Washington 75008 Paris) disclosed that on 23 July 2014 it had reduced its interest in SIIC de Paris to less than 25%, 20%, 15% and 5% of the capital and voting rights and no longer held any SIIC de Paris shares.
The shares were sold off-market to Eurosic.
The sale of SFL's interest led to the termination of the shareholders' pact with Realia Patrimonio SLU (Spain) dated 25 November 2010.

5.6. Disclosure thresholds

Paragraph III of Article 10 of the Company's Articles of Association states that in addition to the obligations arising from legal disclosure thresholds, any individual or legal entity acting alone or in concert that holds – directly or indirectly within the meaning of Articles L.233-7 *et seq.* of the French Commercial Code – shares and/or securities carrying rights to shares representing at least 2% of the Company's capital or voting rights, is required to disclose to the Company by registered letter with return receipt requested, within five trading days of the additional interest being recorded, details of the number of shares and/or securities carrying rights to shares that are held and the number of voting rights attached thereto.

These disclosure formalities must be followed each time a shareholder's interest is raised to above or reduced to below the 2% threshold or any multiple thereof, including when the interest exceeds 5%.

In the case of failure to comply with these disclosure rules, at the request of one or several shareholders with combined holdings representing at least 2% of the Company's capital or voting rights, the undisclosed shares will be stripped of voting rights, in accordance with the conditions set down by law. Said request will be recorded in the minutes of the General Meeting and will entail the automatic application of the above-mentioned sanction.

5.7. Dividends paid in the last three years

In accordance with Article 243 *bis* of the French Tax Code, information on dividends paid in the last three years is provided below:

Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance for shareholders resident in France	Portion of the dividend classified as a return of capital	Total dividend(1)
2012	€0.70(2)	€0.70	–	–	€32,570,281.80
	€1.40	€0.61	–	€0.79	€65,140,563.60
2013	€0.70(3)	–	€0.70	–	€32,570,281.80
	€1.40	–	€0.27	€1.13	€65,140,563.60
2014	€0.70(4)	–	–	€0.70	€32,570,281.80
	€1.40	–	€0.68	€0.72	€65,140,563.60
2015	€1.05(5)	–	–	€1.05	€48,855,422.70

(1) Not including dividends not paid on shares held in treasury stock.

(2) Special dividend of €0.70 per share paid out of the share premium account by decision of the General Meeting of 15 November 2012.

(3) Interim dividend paid on 23 October 2013 by decision of the Board of Directors on 7 October 2013.

(4) Special dividend of €0.70 per share paid out of the share premium account by decision of the General Meeting of 14 November 2014.

(5) Special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 13 November 2015.

Dividend policy

The amount and manner of payment of future dividends will be decided each year according to the Company's earnings, cash position, financing terms, capital needs, overall business situation, the resources necessary to ensure the Company's development and any other factor that the Board of Directors considers relevant in preparing its recommendation to shareholders. The decision to pay a dividend, and the amount of such dividend, will also depend on the rights of holders of securities that may be issued in the future and any restrictions on dividend distributions that may exist as a result of existing lines of credit or any other debt. There can be no assurance that SFL will pay dividends in future years.

In any event, as a company taxed as an SIIC, SFL has certain distribution obligations. By virtue of Article 208 C of the French Tax Code, SFL is exempt from paying tax on (i) profits from its property rental activities, (ii) capital gains on property sales and sales of interests in look-through entities or subsidiaries that have elected for the SIIC regime, and (iii) dividends received from subsidiaries that have also elected for the SIIC tax regime. In exchange for this exemption, the Company must distribute (i) at least 95% of the exempted rental profits within 12 months of the close of the financial year in which the profits are earned, (ii) at least 60% of the exempted capital gains from the sale of properties or interests in look-through entities or subsidiaries that have elected for the SIIC tax regime, or the sale of finance-lease contracts, within 24 months of the close of the financial year during which the capital gains were generated, and (iii) 100% of the dividends received from subsidiaries that have also elected for the SIIC tax regime within 12 months of the close of the financial year during which the dividends were received. The amounts to be distributed are determined separately by each company that has elected for the SIIC tax regime, based on its individual earnings.

At the Annual General Meeting held to approve the 2015 financial statements, the Board of Directors will recommend paying a dividend of €1.05 per share. In line with the dividend policy followed in recent years, this will be in addition to the special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 13 November 2015, representing a total 2015 dividend of €2.10 per share.

5.8. Share performance

SFL shares have been quoted in Compartment A of Euronext Paris since 21 February 2005. They were previously quoted on the Premier Marché of Euronext Paris as from 25 March 1998 and on the cash settlement market before that (ISIN: 0000033409).

		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2015	January	39.50	36.60	59,254	2.229
	February	43.45	39.25	59,860	2.477
	March	45.00	42.70	69,133	3.028
	April	45.29	41.61	54,680	2.365
	May	43.23	41.20	20,320	0.851
	June	43.76	38.70	54,769	2.314
	July	41.70	39.00	60,576	2.463
	August	42.50	40.00	56.447	2.322
	September	42.47	39.05	41,550	1.659
	October	42.00	38.72	116,134	4.651
	November	44.83	40.96	52,596	2.190
	December	44.89	43.10	31,609	1.387
2016	January	44.30	42.00	60,220	2.620
	February	44.00	41.96	65,705	2.821

6. 2015 Corporate Social Responsibility (CSR) Report

Introduction

Sustainability is inherent to SFL, which has been renovating and developing properties since it was founded in 1879. Today, as throughout our history, our major projects are helping to improve the quality of the urban environment. While we are proud of this achievement, there is obviously no question of restricting our CSR vision to sustainability. With our own environment changing constantly, our exploration of CSR issues now extends across a much wider field.

Our strategic focus on prime property incorporates an ambitious CSR commitment ranked at the very top of our concerns. For SFL, this is about much more than complying with disclosure rules or communicating an image. Since 2014, our process has included the ability to measure progress toward ambitious targets in clearly defined, material areas. In 2015, we delivered further gains, as seen in this Corporate Social Responsibility Report for the year.

Presentation

Since 2011, SFL has been deploying a strategy to drive gains in the indicators that track its main corporate social responsibility issues, while also improving their clarity.

The 15 material issues, which are both important to stakeholders and critical to our profitability as a property company, inform all of our policies, from factoring CSR into investment decisions to creating an outstanding user experience, from managing our environmental impact to nurturing biodiversity.

They also play a natural role in the three components of the intangible value of our assets: the value a building creates for its users, its green value and its social responsibility value. The CSR component in our total value, as embodied in the high standards and quality we deliver in every aspect of our business, is a major driver of our social and economic performance.

These values are measured against international benchmarks and other indicators, as well as against the satisfaction and pride our tenants feel when working in our efficient, environmentally virtuous offices.

After identifying our CSR issues and prioritising them according to stakeholder expectations in 2014, we continued to improve our CSR and risk management systems in 2015.

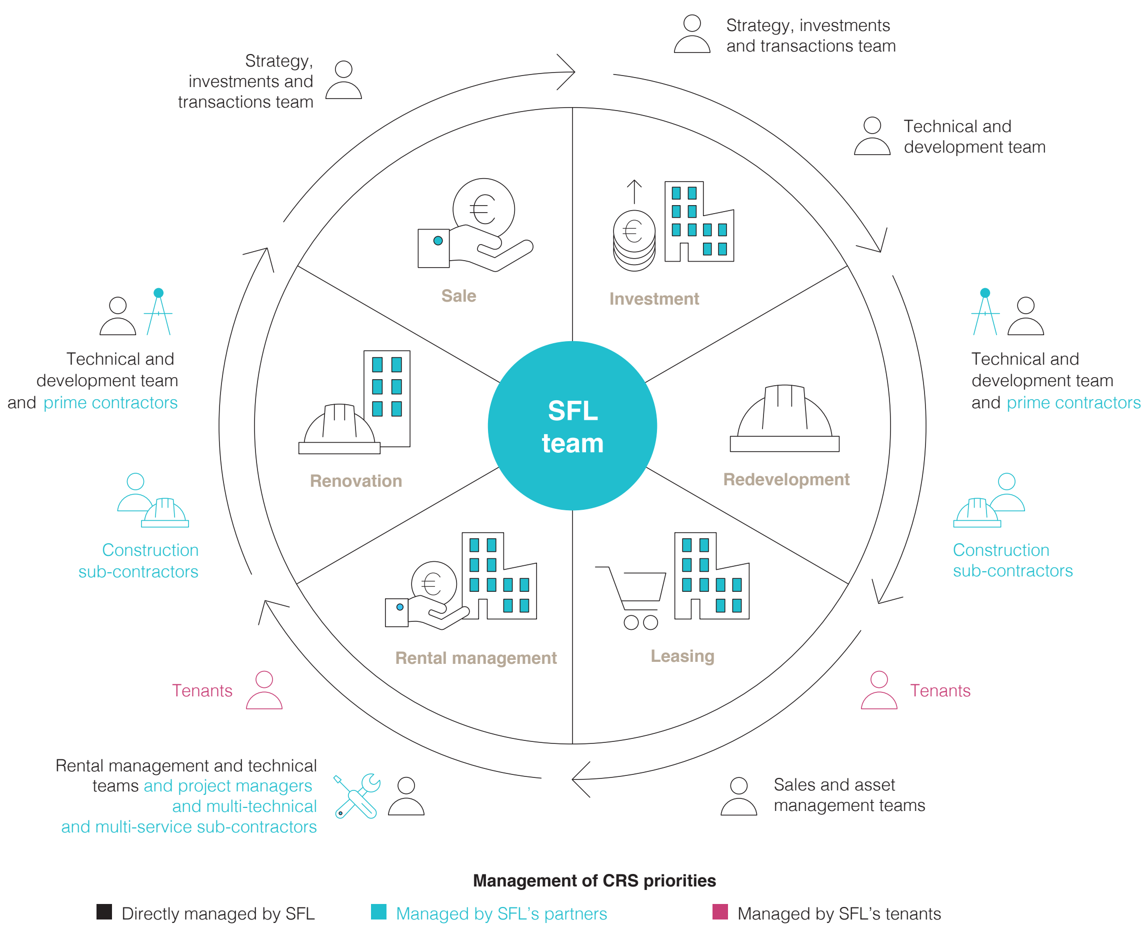
The year also saw the delivery and near-simultaneous leasing of the #cloud.paris building, a stunning demonstration of SFL's ability to transform obsolete premises to next-generation offices.

1. CSR Policies

1. 1. The SFL value chain and its CSR components

Mapping SFL's value chain enabled us to determine our CSR issues and the stakeholders who could have an impact on them. The exercise also identified the six phases in the value chain running through a property asset's life cycle: investment, redevelopment, leasing, rental management, renovation and, if the opportunity is right, sale.

Not every building systematically transitions through each phase in sequence. For example, a property may be redeveloped immediately after a long period of rental, and buildings are generally re-let rather than being sold after a renovation.



1. 2. The CSR expectations of our stakeholders

Dialogue, close relations and constructive interaction with our stakeholders — tenants, shareholders, partners and employees — are enabling us to directly and indirectly manage all of the challenges posed by our business model and to use our organisational efficiency to activate our value-added levers. Guided by our convictions and expertise, we are continually searching for sustainable, intelligent and aesthetically appealing solutions to the potential risk of building obsolescence.

The table below lists the stakeholders having an impact on each of our CSR issues. In the rental management phase, for example, the issue is sustainable building operation and the stakeholders are our partners and tenants.

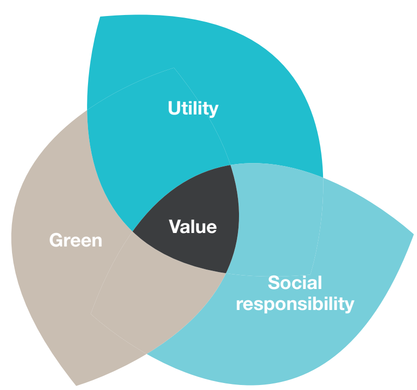
Phase	Main stakeholders	CSR priorities
Investment	SFL's strategy, investments and transactions team	• Location and access • Local urban footprint
	Technical and development team	• Managing environmental risks
Redevelopment	Technical and development team and prime contractors	• Amenities, layout and organisational efficiency • Certification • Factoring CSR into investment decisions (eco-design) • Carbon efficiency and biodiversity • Sustainable procurement
	Construction sub-contractors	• Local urban footprint • Health, safety and risk management
Leasing	Sales and asset management teams	• Tenant relations and satisfaction • Governance and ethics
	Tenant	
Rental management	Rental management and technical teams, project managers and multi-technical/multi-service contractors	• Certification • Carbon efficiency and biodiversity • Sustainable building operation (energy, water and waste) • Sustainable procurement
	Tenant	• Sustainable building operation (energy, water and waste) • Certification
Renovation	*Same as for redevelopment*	
Sale	SFL's strategy, investments and transactions team	

1. 3. CSR issues and objectives

In 2015, the materiality of our CSR issues was assessed in accordance with (i) international standards, (ii) the best practices set out in the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative, and (iii) the recommendations of the European Platform of Regulatory Authorities (EPRA). This process is described in more detail in Appendix 5.3. Performed in conjunction with the key area working groups, the Management Committee and the Chief Executive Officer, this analysis led to the formulation of our CSR policies, objectives and action plans.

In 2015, the CSR process was updated around three main themes covering the identified material issues:
– Utility value
– Green value
– Social responsibility value

SFL'S CSR VALUES



Utility value	Green value	Social responsibility value
Tenant relations and satisfaction	Sustainable building operation	Attracting talent and developing skills
Location and access	Carbon efficiency	Health, safety and quality of worklife
Certification	Factoring CSR into capital expenditure projects	Diversity and equal opportunity
Amenities, layout and organisational efficiency	Biodiversity	Sustainable procurement and supplier relations
Safety and environmental risk management		Local urban footprint

■ 5 fundamental issues integral to SFL's core business ■ 5 major CSR issues ■ 5 CSR issues to be tracked

KEY PERFORMANCE INDICATORS (KPIs)

Our key performance indicators and objectives are presented in the following table.

	Objective	2011	2014	2015	Degree of achievement
Utility value of our properties					
Tenant relations and satisfaction					
% of satisfied or very satisfied tenants	>80% always	82%	82%	96%	☺
% of space under green leases	100% always	N/A	51%	69%	😐
Location and access of our properties					
% of space located less than a ten-minute walk from an underground/tram station	100% always	100%	100%	100%	☺
Building certification					
% of buildings in use certified BREEAM In-Use (Part 1 and Part 2)	100% always	N/A	100%	100%	☺
% of BREEAM In-Use certifications with a Very Good or higher rating (Parts 1, 2 and 3 combined)	100% in 2017	N/A	90%	97%	😐
Redevelopment projects aimed at earning triple certification	100% always	N/A	100%	100%	☺
Green value of our properties					
Sustainable building operation (energy, water and waste)					
Energy use per sq.m of buildings managed by SFL (based on 2011 scope, climate adjusted) in kWh/sq.m/year	238 in 2017	280	257	245	😐
Water use per sq.m of the property portfolio (based on 2011 scope) in cu.m/sq.m/year	0.54 in 2017	0.58	0.55	0.55	😐
Carbon efficiency of our properties					
Heat produced by fuel oil-fired boilers (number of facilities)	0/20			1/20	😐
Greenhouse gas emissions per sq.m of buildings managed by SFL (based on 2011 scope, climate adjusted) in kg of CO_2 equivalent/sq.m/year	21.8 in 2017	24.3	23.4	22.6	☺
Biodiversity in the properties Sq.m of green space/sq.m of built-up land on the sites concerned	1%			14%	☺
Social responsibility value of our properties					
Attracting talent and developing employee skills Training sessions/person/year	Continuous	N/A	N/A	1.8	☺

The **no.1**
office real estate company

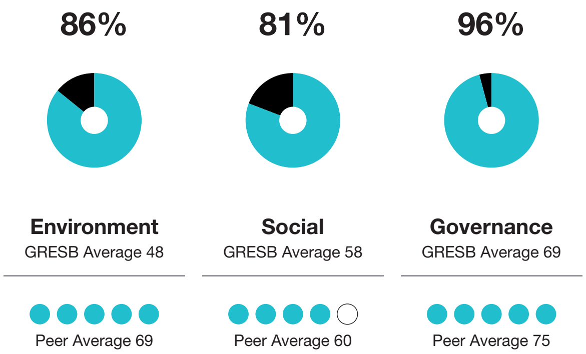
in France, no. 2 in Europe, and no. 13 in the world (versus 132nd in 2013).
GRESB 2015 global ranking

1. 4. Recognition of SFL's performance

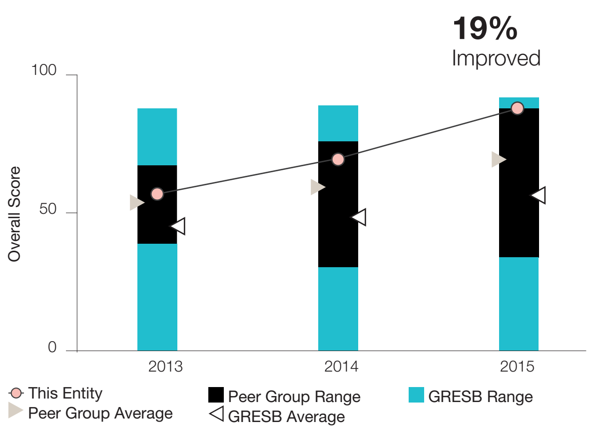
SFL ensures that its CSR reporting processes and performance are aligned with industry practices and recognised by appraisers. In particular, they comply with France's Grenelle II Act and follow the Global Reporting Initiative's G4 Sustainability Reporting Guidelines and the recommendations issued by the European Platform of Regulatory Authorities (EPRA). Moreover, the Company reports information to CSR rating agencies, either in response to requests (Vigeo Rating) or on an unsolicited basis (GRESB).

In 2015, the GRESB world ranking of sustainable office real estate companies lifted SFL to the podium of top performers, ranking it number one in France, number two in Europe and 13th in the world out of 688 peers. This represents an exponential improvement since our first GRESB assessment in 2013, which ranked us 132nd worldwide.

ESG BREAKDOWN as of 29 June 2015



HISTORICAL TREND as of 29 June 2015



G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI 4)

SFL applies the guidelines issued by the GRI (core option), with reporting updated since 2014 in line with the G4 version. The update mainly involved applying the materiality principle, identifying stakeholder expectations and defining a CSR policy.

European Platform of Regulatory Authorities (EPRA)

SFL also complies with the recommendations issued by EPRA for its CSR reporting.

The Grenelle II Act

SFL complies with French legislation and applies the enabling decree for Article 225 of the Grenelle II Act.
Cross-reference tables between the guidelines and this report can be found in Appendix 5.5.

2. Utility value of our properties

Interview with our shareholder – Pere Viñolas – Chief Executive Officer, Colonial

What were the aspects of SFL's performance that particularly met your expectations?

"Colonial acquired a stake in SFL in 2004. Since then, we've come to appreciate the quality of the company's property assets, especially during the difficult periods of one financial crisis after another that we have experienced since 2008. As the majority shareholder, we can affirm that we've tested the resilience of SFL's business model.

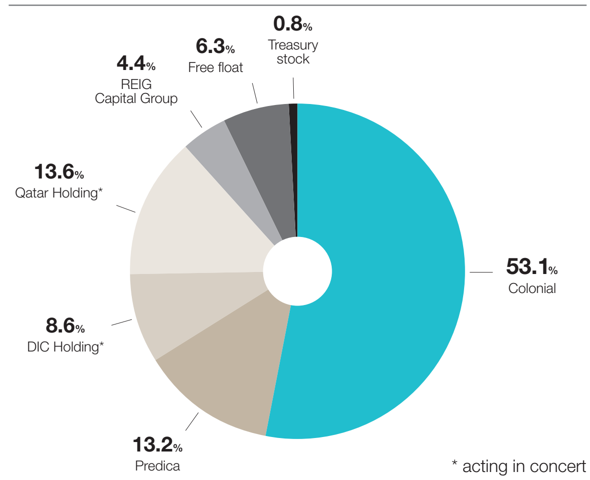
In addition, SFL's teams are capable of deploying extensive expertise in developing properties and increasing their value. In particular, in 2015 we started to reap the benefits of five years of intensive investments designed to raise the quality of several properties to world-class standards of excellence, the most recent examples being In/Out in Boulogne, 90 Champs-Élysées and the #cloud.paris building."

How would you describe SFL's shareholders?

"Demanding. They are shareholders who appreciate SFL's pure player strategy and unique positioning as a specialist in prime Parisian office properties. Given this unrivalled positioning, that strategy has their full support.

Another feature of many of the shareholders is their stability. In addition to Colonial since 2004, certain other investors, like Predica and Reig Capital Group have backed SFL for many years. Here too, the understanding and support for SFL's special positioning is what underpins the enduring bond with these stakeholders."

SFL OWNERSHIP STRUCTURE
at 31 December 2015 (46.5 million shares outstanding)



* acting in concert

In using our properties, tenants observe an improvement in the relevant performance indicators for their very high value-added activities, in particular through their general satisfaction, their appreciation of building accessibility, the building certifications and the amenities, efficiency and low risks our properties offer.

7.1/10

the well-being at work score given by occupants of SFL buildings[2], versus an average **6.8** by managers in the Greater Paris region[3]

(2) SFL 2015 tenant satisfaction survey.
(3) Source: ParisWorkPlace 2015.

2. 1. Tenant relations and satisfaction

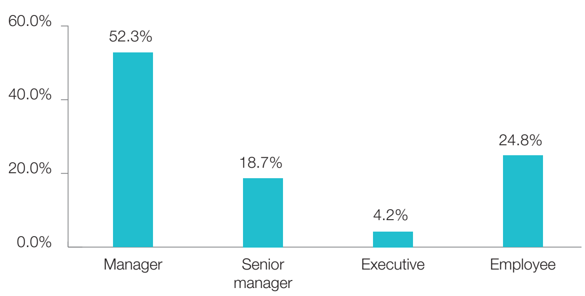
Tenant satisfaction

The ParisWorkPlace surveys and the 2015 satisfaction survey of our office users helped to improve our understanding of tenant expectations (http://www.parisworkplace.fr/).

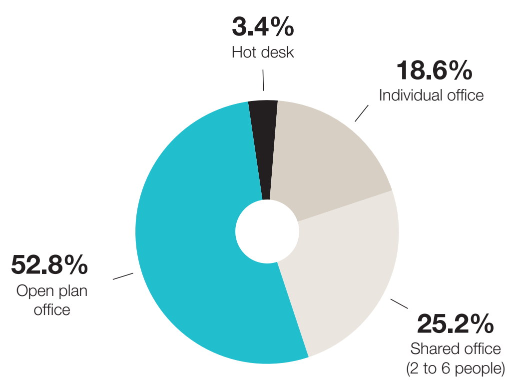
Profile of satisfaction survey respondents

50% men and 50% women

RESPONDENTS BY JOB CATEGORY



OFFICE LAYOUT

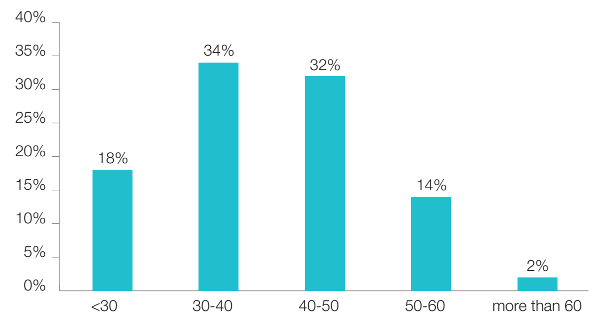


13 minutes

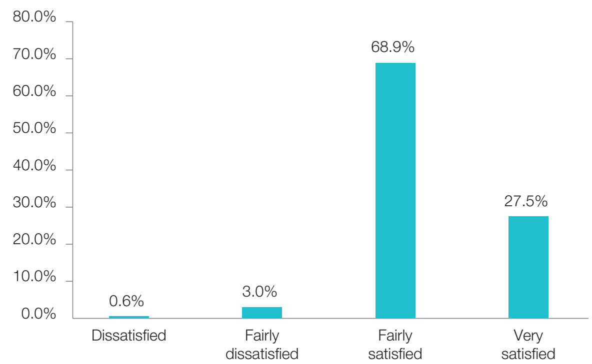
Employees working in an SFL property have a 13-minute shorter commute, on average, than managers in the Greater Paris region[1], the equivalent of seven working days a year.

(1) Source: ParisWorkPlace 2015.

AGE PYRAMID



SATISFACTION RATE OF RESPONDENTS



As of 31 December 2015, the arithmetic average lease term was seven years and five months and more than two-thirds (69.13%) of leases were “green”; i.e., they included an environmental addendum. In addition, two “green committees” met in 2015 in association with Zurich Insurance and Lagardère.

The above statistical data are enabling us to align our offering more closely with expectations and to validate our shift to high value-added products.

User guides

Every SFL building now has a user guide providing a wealth of information on their amenities, services and operation. Topics covered include building history, opening hours, accessibility (pedestrians, persons with reduced mobility, vehicles, public transport, etc.), site safety and security, utilities (energy, water and waste management, etc.) and food services.

2. 2. Location of and access to our properties

Our building locations, which represent one of our major competitive advantages, are also widely acclaimed by users, followed by the quality of their spaces and their architecture.
The acquisition of buildings like Condorcet, on the northern edge of the Paris CBD, is part of a future-facing strategy of extending the district towards these neighbourhoods.

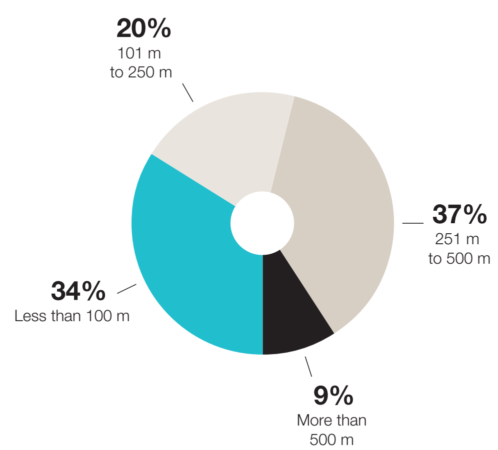
All of our assets are easily accessible by public transport.

100%

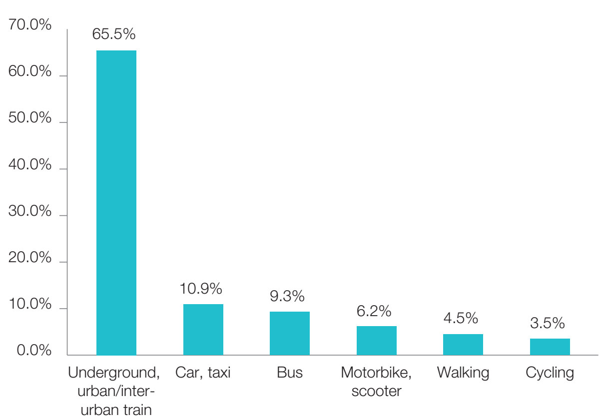
of our offices are located less than a 10-minute walk from an underground station
91% are within 500 metres
34% are within 100 metres
80% of the properties (by value) are located in the prestigious Central Business District.

PROXIMITY TO PUBLIC TRANSPORT

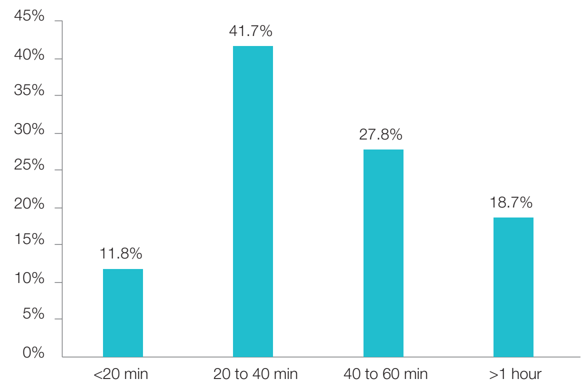
% of the portfolio by surface area



COMMUTING METHOD

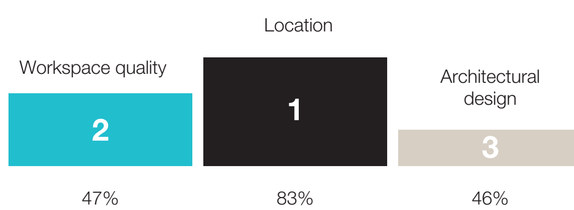


AVERAGE COMMUTE



The overriding importance of the employee commute among the criteria for a sustainable location is also reflected in the increasing use of personal transport with low environmental impact.
In redeveloping its buildings, SFL proactively adds dedicated spaces for electric vehicles.
In the #cloud.paris building, there are more parking spaces reserved for bicycles and motorcycles than for cars.

ADVANTAGES PREFERRED BY USERS



Francis Nappez
Co-founder, BlaBlaCar

"Naturally, for a company, an office building is a production facility. But at BlaBlaCar, we were looking for more than that. We wanted a building that wasn't boring, that would make people want to join BlaBlaCar and that our teams would be proud to work in. We chose #cloud.paris, because it offers 3,000 sq.m of open office space in the heart of Paris, flexibly laid-out areas for sharing and collaborating – which corresponds to our work style – and lower floors flooded with natural light. But also because the building is rare, spectacular and highly attractive!"

2. 3. Building certification

According to the 2015 satisfaction survey, 69% of tenants feel that environmental certification is important.

SFL initiated the certification process in 2012, based on the following standards:
– BREEAM Construction (Building Research Establishment Environmental Assessment Methodology).
– LEED (Leadership in Energy and Environmental Design).
– HQE.
– BBC-Effinergie Rénovation for vacant buildings being developed or renovated.
– BREEAM In-Use International (BIU) for buildings in use.

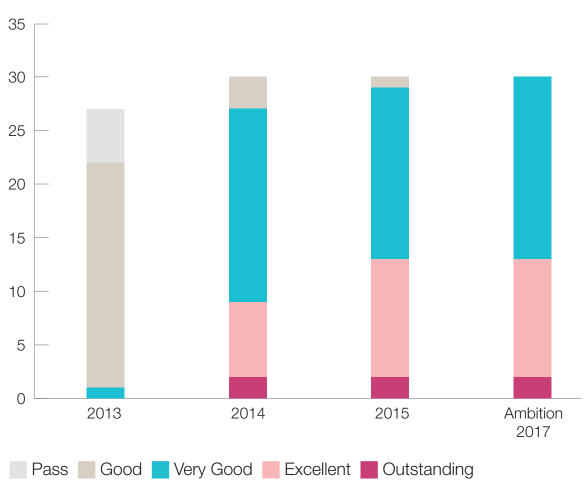
In-use certification

Global standards agency Building Research Establishment has awarded the highest levels of its BREEAM In-Use International certification to the entire SFL portfolio. All of the buildings have been certified in BIU Part 1 (asset) and BIU Part 2 (building management), and constructive discussions are under way with tenants to earn certification in Part 3 (occupier management) as well. The Washington Plaza business centre, already BIU-certified in Part 1, Part 2 and Part 3 (for SFL's head offices), won the 2015 BREEAM Award in the 'BREEAM Offices In-Use' category. Of the total BIU Parts 1, 2 and 3 certifications:
– 3% have a Good rating.
– 53% have a Very Good rating.
– 37% have an Excellent rating.
– 7% have an Outstanding rating.

Three buildings were uprated in 2015: 96 Iéna and 176 Charles de Gaulle (from Good to Very Good for Part 1 – Asset and from Very Good to Excellent for Part 2 – Building Management), and In/Out (from Very Good to Excellent for Part 1 – Asset).

In all, BREEAM In-Use certification covers 17 in-use buildings (excluding the #cloud.paris, 9 Percier and 90 Champs-Élysées buildings undergoing major renovation work).

BREEAM IN-USE INTERNATIONAL CERTIFICATION RATINGS BY YEAR



BIU certifications by building may be found on the www.fonciere-lyonnaise.com website.

97%

of the asset portfolio has been certified and rated Very Good, Excellent or Outstanding in Part 1 and Part 2.

Certifications earned by buildings under construction or redevelopment

- In/Out in Boulogne-Billancourt: the redevelopment project delivered on 31 July 2013 has been certified HQE Exceptionnel, BREEAM Very Good and LEED Platinum. It was also awarded the BBC-Effinergie Rénovation label.

- #cloud.paris: the project in Paris's 2nd arrondissement delivered on 2 November 2015 has been certified HQE Exceptionnel, BREEAM Excellent and LEED Gold. It was also awarded the BBC-Effinergie Rénovation label and certified in compliance with the City of Paris's Climate Plan (less than 80 kWh primary energy/sq.m/year).

- Louvre Saint-Honoré: We are actively seeking BREEAM Excellent certification for the project's retail space, which has not yet been leased or marketed. This only concerns the lower floors, since the upper levels are leased and occupied as offices. Louvre Saint-Honoré is considered as a development in-use, whose restrictions and impediments make it impractical to seek HQE and LEED certifications.

All of our major redevelopment projects have been triply certified BREEAM New Construction, LEED and HQE, as illustrated by the most recent one, #cloud.paris. It represents the complete transformation of a disparate group of buildings into a business centre perfectly aligned with contemporary and emerging office usage practices.

2. 4. Amenities, layout and organisational efficiency

a) Organisational efficiency and layout

SFL buildings offer maximum flexibility and highly efficient operations, which provide an effective buffer against the risk of obsolescence. Tenants appreciate the myriad of layout options, which allow them to create their own space, with total freedom to be as conventional or innovative as they like.
We take special care over the amenities, layout and organisational efficiency of our assets, in particular through regular renovations and upgrades.

Evolving tenant expectations are accurately integrated into each renovation programme, thanks to the project scheduling process led by our Design Committee (Project Scheduling and Definition Committee).

SFL designs modular, free-flowing and adaptable office spaces, whose highly flexible floor plates can be fitted out in line with tenant specifications. The resulting tenant layouts, which may be partitioned or open plan, ensure that users enjoy the best possible quality of worklife.

Office floor plates are delivered open plan to tenants, who are totally free to arrange them as they like. Ideal depths range from 15 to 18 metres with double exposure, so as to maximise the amount of fixed office space receiving direct sunlight. Meeting rooms, cubicles and common spaces can be laid out in areas receiving indirect daylight.

Most of our buildings offer modern, contiguous 1,000 to 3,000 sq.m floor plates that are highly conducive to organisational efficiency.

Utility installations are sized so that meeting rooms can be positioned anywhere on the floor plate, including in direct sunlight areas. These rooms generally cover 10% of the total floor area. HVAC and lighting installations are generally sized to offer an occupancy ratio of 10 sq.m of gross leasing area (GLA) per person. The ratio for sanitary facilities is 12 sq.m of GLA/person.

The large majority of SFL buildings have raised access floors and a clear ceiling height of usually 2.70 metres.

Frédéric Mazzella
Founder and CEO, BlaBlaCar

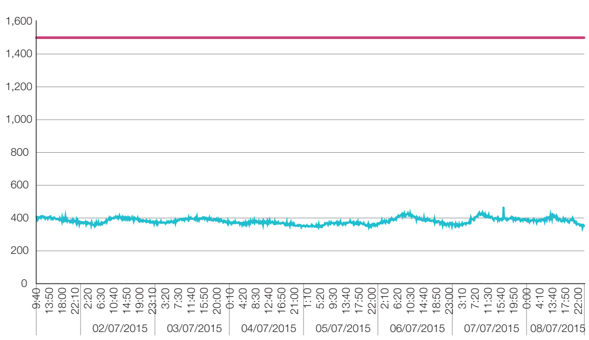
> *"We were looking for a building in this neighbourhood, in the heart of the new economy, that could offer the contemporary environment and amenities we need to attract new talent and retain current employees. The size of the floor plates and the building's modular flexibility were essential features that are enabling our teams to use the space in a variety of ways and layouts."*

b) Occupant well-being

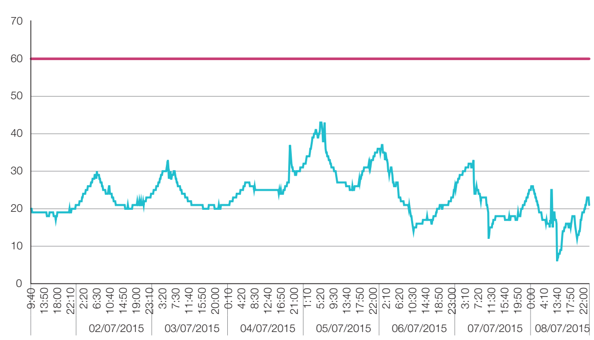
To initiate an objective process, the head office and three buildings – 96 Iéna, 176 Charles de Gaulle and In/Out – were reviewed for their amenities and health-related aspects.

IN/OUT BUILDING – LOBBY

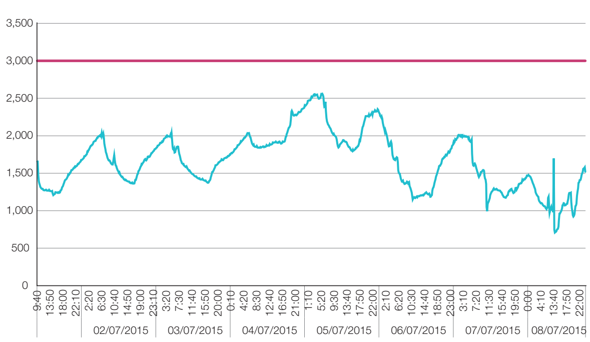
CONTAINMENT (CO_2)



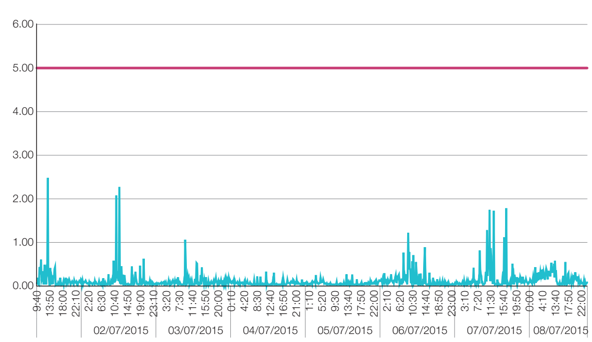
LVOCS



TVOCS

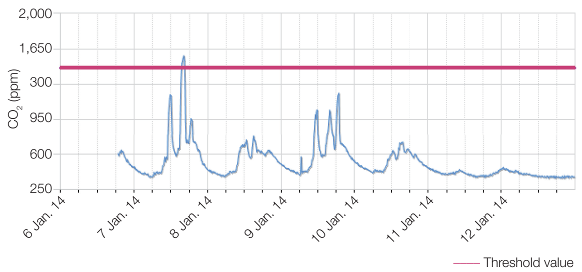


AEROSOLS

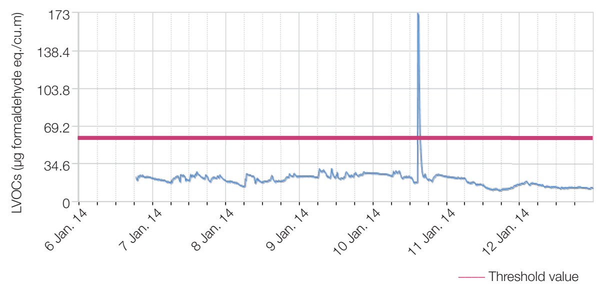


WASHINGTON PLAZA – MEETING ROOM (SFL PREMISES)

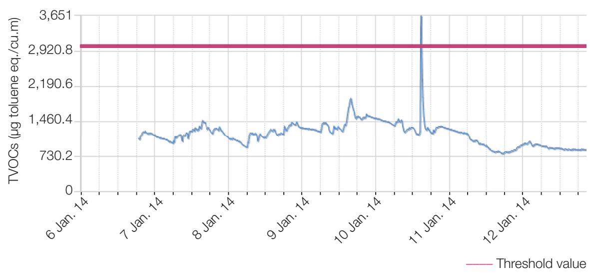
CONTAINMENT (CO_2)



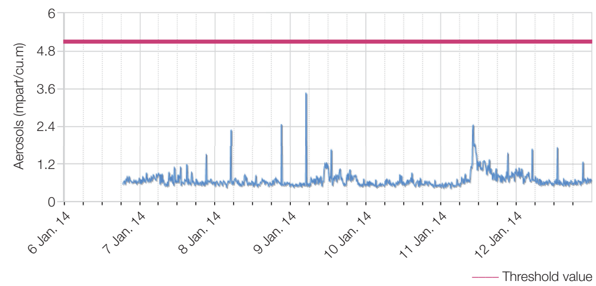
LVOCS



TVOCS



AEROSOLS



LVOCs: light volatile organic compounds (formaldehyde) found in detergents, disinfectants, personal care products and cosmetics.
TVOCs: total volatile organic compounds, such as toluene, ethanol, ether and benzene.

The curves measure, in 10-minute periods, the presence of disamenities in the ambient air and various aerosols.
The results are generally far below the recommended thresholds (horizontal red lines). Certain peaks resulted in requests to service providers to use specified VOC-free cleaning products.

Accessibility for disabled people

SFL is committed to installing special equipment and facilities so that people with motor, hearing or visual impairments can safely get around in our buildings as independently as possible. These include ramps, handrails, flashing and audio sirens, specially adapted areas that can accommodate suitable workstations, and lifts with Braille call buttons.

In 2015, reviews of the accessibility for persons with reduced mobility in the SFL buildings open to the public were performed as part of the French government's Ad'AP scheduled accessibility programme. Based on the findings, an action plan for the publicly accessible areas is now being prepared. In buildings governed by the French Labour Code, an action plan to improve accessibility with signage, tactile guidepaths and handrails is being deployed. The resulting systems will exceed mandated standards.

100%

of major SFL redevelopments and renovations have offered complete accessibility for persons with reduced mobility since 2010.

Support services

After the successful trial of a physical corporate concierge service in the Washington Plaza building, SFL is studying the feasibility of introducing a similar service in the 103 Grenelle and R-1 Cézanne Saint-Honoré properties. In addition, the dedicated "servicesbySFL" website offers personalised information for each of the buildings.

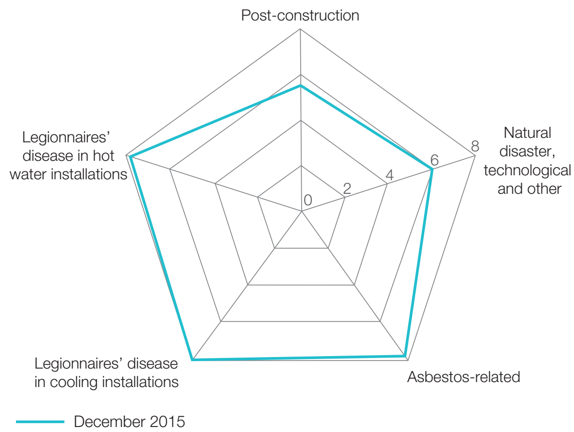
2. 5. Managing health, safety and environmental risks in our properties

SFL manages occupant safety and environmental risks in line with the highest standards, well exceeding regulatory requirements. The primary risks tracked for each facility are as follows.

Buildings in use:
– Risks related to post-construction works.
– Natural disaster, technological and other risks covered by the regulatory risk prevention plan.
– Asbestos-related risks.
– Risks related to legionnaires' disease in the cooling installations
– Risks related to legionnaires' disease in the hot water installations.

Redevelopments:
– Soil contamination surveys performed prior to redevelopment projects.
– Use of building products and materials rated A for VOC emissions in major redevelopment works.
– Reviewing environmental and health reference data (FDES) for materials used in redevelopment works.

DOCUMENTARY RISK MANAGEMENT



This diagram presents the average level across the entire portfolio.
0 – Document to be prepared
4 – Document to be updated or sent
6 – Document updated and sent (regulatory compliance)
8 – SFL standard (measurement frequency, heightened vigilance, etc.)

Foreseeing risks

Risks are managed via:
- The MEX web-based operations management platform deployed in 2015 for the 11 SFL-managed buildings in the 20-building portfolio.
- An environmental charter and health and safety risk management procedures guide.

No provisions for environmental or global warming risks were recorded during the year.

3. Green value of our properties

Green value, which has major appeal for the young talents employed by our tenants, primarily stems from the improvement in four environmental performance indicators: energy use, water use, waste production and recycling, and CO_2 emissions. It also reflects biodiversity, to the extent possible in a dense, restricted cityscape, and the CSR content of capital expenditure projects. The energy and carbon indicators have been steadily improving.

Data collection methods are also being upgraded by broadening the scope of both measurement (to determine energy use by destination in the head office) and reporting (by integrating new buildings, exchanging data with clients in single-tenant buildings and metering private-area power use in multi-tenant buildings).

Continuously improving our methods and tools is critical to maintaining the ability to shrink the environmental footprint of our buildings at a time when the margin for gains in our indicators is narrowing.

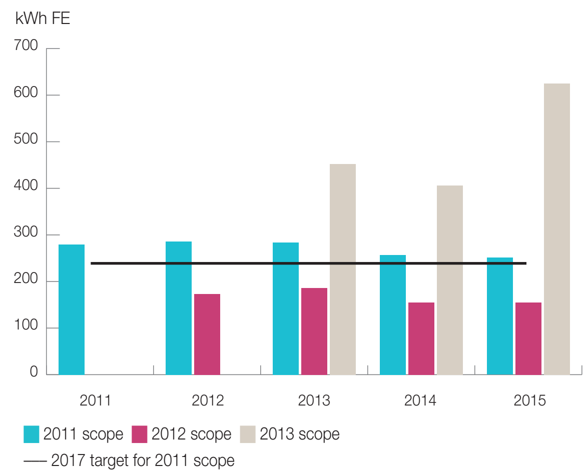
This commitment to managing and reducing consumption is being supported by our partner building managers and multi-technical service providers, who are contractually obligated to issue monthly and quarterly activity reports.

3. 1. Sustainable building operation

3.1.A Energy use

Energy use is measured according to the method described in the appendix.
Energy used by the eight buildings in the 2011 baseline scope of reporting declined by 12 kWh/sq.m or 4.7% year on year in 2015.
Adjusted for occupancy and climate data, energy used by the eight buildings declined by 23 kWh/sq.m or 8% between 2011 and 2014 and by 35 kWh/sq.m or 12.5% between 2011 and 2015.

ENERGY INTENSITY



a. Improvements in the energy performance of SFL properties

1 - Future initiatives

Following on from the sharp reduction in energy use ratios from 2012 to 2014, master plans are now being reviewed in a commitment to further improving energy performance in the years ahead, particularly in the following areas:
- Revamping building management system (BMS) analyses.
- Optimising air handling unit (AHU) flow rates.
- Managing lighting in car parks and common areas.
- Breaking down energy use by destination.
- Raising occupant awareness.

These master plans, which will help to optimise capital expenditure and upgrade plans for existing assets, will integrate the initiatives already under way:
- The contractual obligation for our building management partners to reduce their energy use.
- Energy audits and action plans.
- Certification uprating plans.

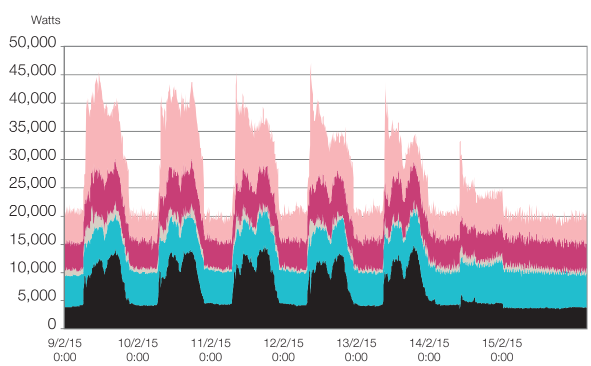
2 - Initiatives led in 2015

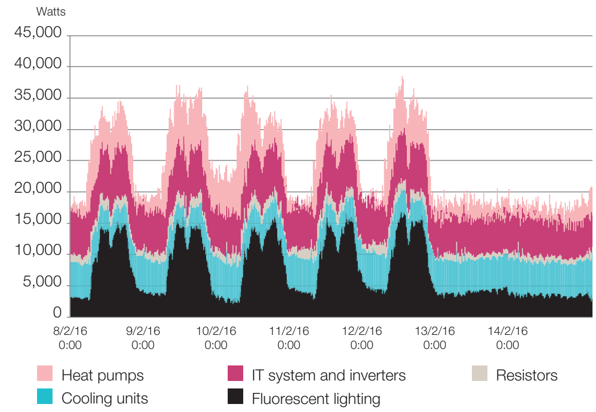
- Louvre Saint-Honoré
  Heat pumps turned off in the vacant Louvre des Antiquaires section
  Presence detection and lighting control systems installed in the car park
  Presence detection system installed on the landings and in the sanitary facilities (underway in 2016)

- Cézanne Saint-Honoré
  Exhaust air energy recovery system restarted
  System updated and reset
  Climespace contract power adjusted (with effect from 1 January 2016, following renegotiation in 2015)
- Rives de Seine
  Fresh and exhaust air flows adjusted in the intercompany staff restaurant and on the office floors
  Car park lighting and lighting control system replaced (start 2015/end 2016)
- Édouard VII
  CPCU district heating system control mechanism replaced
  Air handling unit settings optimised
  Climespace contract power adjusted (with effect from 1 January 2016, following renegotiation in 2015)
- 103 Grenelle
  Office AHU optimised
  Domestic hot water production optimised
- Washington Plaza
  AHU operating schedule adjusted
  Issuance of off commands for the Clivet heat pumps restored
  Showers using thermodynamically generated hot water installed
  Settings programme for filling the heating hot water tanks adjusted
- 112 Wagram
  Variable refrigerant flow reprogrammed to reduce it at night
  Office floor lighting brightness reduced (one completed)
- 176 Charles de Gaulle (Neuilly-sur-Seine)
  Reinforced insulation continued to be installed on the apron and perimeter walls as part of the office floor plate renovation works
  Vertical Ethernet link created for the VoIP intercom between the ground and upper floors (preparation for the project to install a BMS link between the floors and the utility control room in 2016).

b. Energy use by destination (SFL head office)

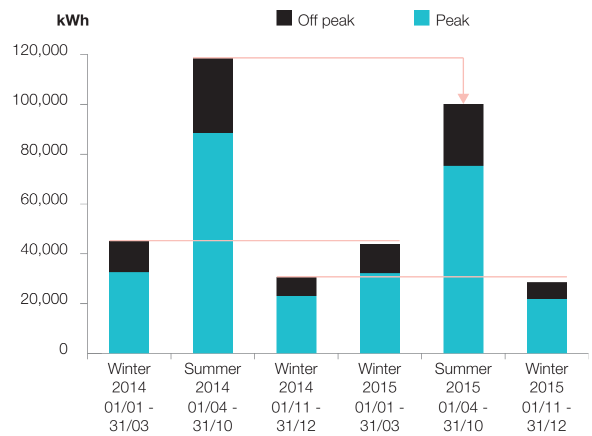
The following charts represent one week's actual use by destination at the SFL head office, based on the Smart Impulse solution.





They show that the heat pumps now use virtually no electricity at night, following a request to the maintenance company for corrective action (in pink).

HEAD OFFICE POWER USE



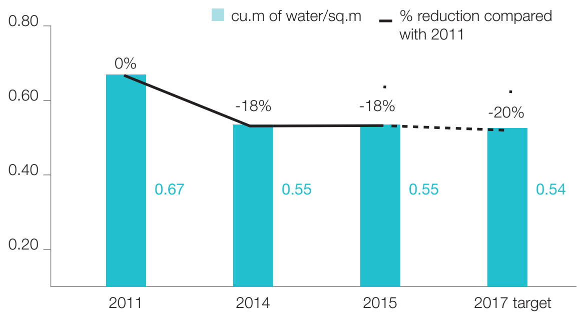
Power use in the private areas of the SFL head office. In 2015, over comparable periods and at the same dates as in 2014, head office power consumption declined by around 10% year on year during the summer and remained virtually unchanged during the winter.

3.1.B Water use

Total water use rose slightly over the year, primarily due to spikes at two buildings, Iéna (2,500 cu.m) and Louvre Saint-Honoré (2,000 cu.m), in connection with office renovation works, façade cleaning and asbestos removal works. The temporary use of a back-up air conditioning system for a tenant's IT rooms in the Iéna building also lifted consumption for the year.
Certain properties made significant progress in 2015:
– 176 Charles de Gaulle (Neuilly-sur-Seine): down 12%
– Édouard VII: down 8%

Water used by the eight buildings in the 2011 baseline scope of reporting stood at 112,864 cu.m in 2015, compared with 109,909 cu.m in 2014.
Water used by the 11 buildings in the 2011, 2012 and 2013 scope of reporting stood at 135,056 cu.m in 2015, compared with 127,328 cu.m in 2014.

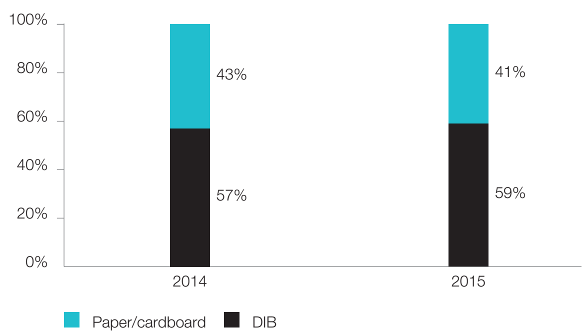
WATER USE INTENSITY
(in cu.m of water/occupied sq.m).



The water-conservation programme continued to be deployed in 2015, with the installation of flow restrictors on taps and shower heads and low-volume flush mechanisms.
Currently, four buildings have rainwater recovery systems: 92 Champs-Élysées, In/Out, Washington Plaza and #cloud.paris (2015). From April to December, for example, the Washington Plaza building collected and recycled 190 cu.m of rainwater.
SFL buildings are supplied exclusively by the city water system, which sources water from aquifers and rivers, makes it potable and then distributes it to the buildings' water supply connections.

3.1.C Waste production and recycling

WASTE MANAGEMENT IN 2015

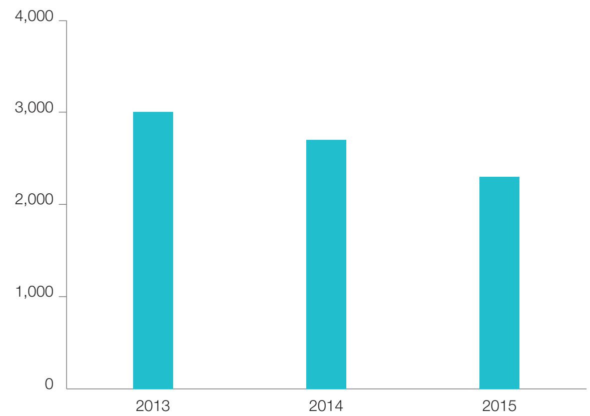


Total non-hazardous industrial waste and cardboard produced by the five reporting buildings rose slightly in 2015, to 433 tonnes from 418 tonnes in 2014, as a direct result of the 4,776 sq.m increase in the occupancy rate in the 130,877 sq.m scope of reporting during the year.

3.315 kg of waste produced/sq.m in 2014

3.308 kg of waste produced/sq.m in 2015

RECYCLING:
PAPER WASTE COLLECTED AT THE HEAD OFFICE
(in kg)



Paper: a decline in head office use
Batteries: 22 kg collected at the head office, versus 5 kg in 2014
Head office printer consumables: 13.4 kg in 2015, versus 80 kg in 2014.

3. 2. Carbon efficiency of our properties

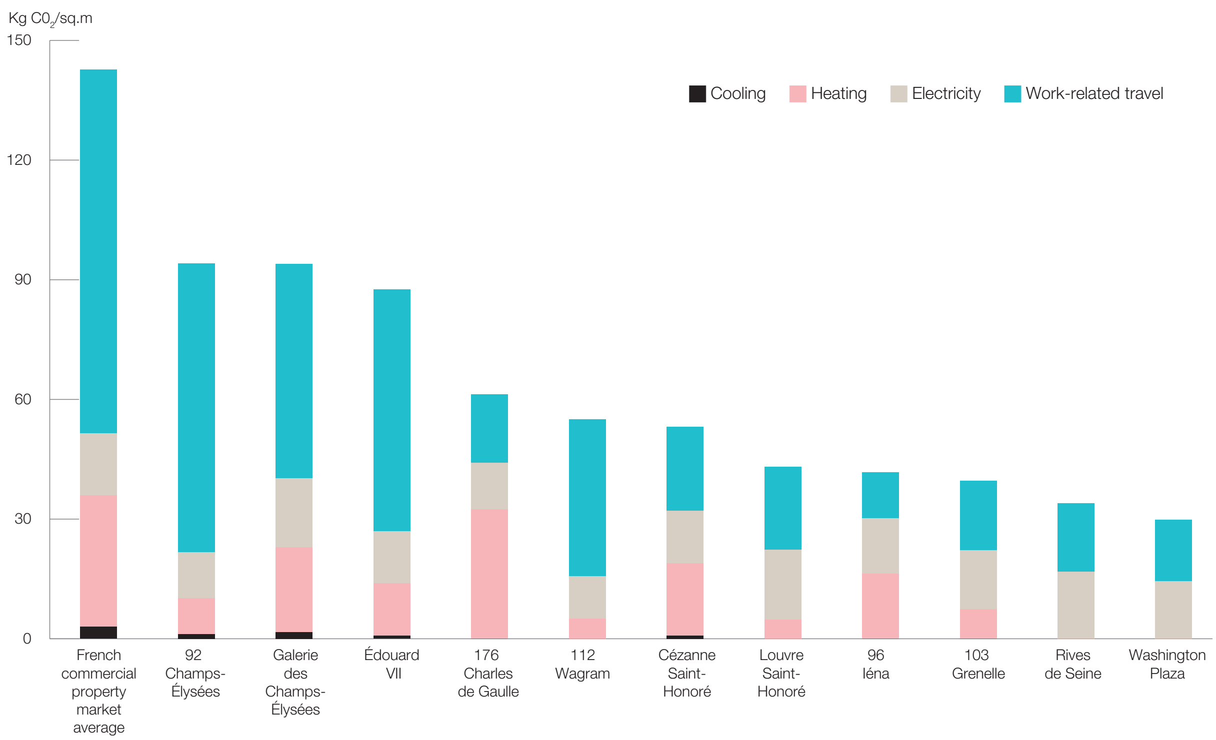
SFL has embraced the worldwide commitment to managing and reducing greenhouse gas emissions, in accordance with the COP21 agreement. Emissions from our assets are measured by carbon audits performed at the head office and our other buildings every two years, as well as by dedicated carbon audits of each redevelopment project.

Emissions are being reduced primarily through action plans designed to improve energy efficiency. The elimination of our last fuel-oil fired boiler and works to suppress coolant leaks are also helping us to meet our emissions target. The feasibility of connecting to district heating and cooling systems is systematically reviewed prior to any capital expenditure project.

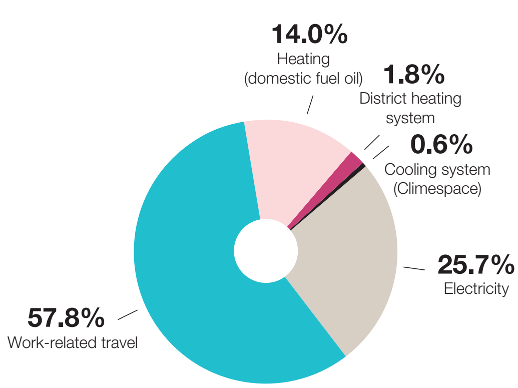
Since 2012, the carbon footprint of the 11 SFL-managed buildings has been tracked based on their energy use and their occupants' work-related travel habits, as determined by the 2013 tenant satisfaction survey.

1 carbon audit performed every two years

CO_2 EMISSIONS PER SQ.M BY BUILDING



CO_2 EMISSIONS BY SOURCE (11 buildings)



CO_2 emissions by source, as a % of total emissions

In 2015, the last R22-based air-conditioning plant was removed, eliminating 130 kg of refrigerant.

3. 3. Factoring CSR into capital expenditure projects

Building sustainability and durability are key issues for SFL, as a long-term investor that generally holds its assets for more than ten years. Decisions to invest in redevelopment projects or acquisitions are therefore made with two objectives in mind – first, to attenuate the risks of obsolescence and second, to enhance the building's alignment with tenant needs through capital projects to upgrade and renovate existing facilities.

Capital project decision support system

SFL is committed to managing the CSR performance of its operating expenditure and its renovation, refurbishment and redevelopment capital expenditure in 2016 by assessing the CSR aspects of each outlay. This process will build upon the sustainable procurement policy applied in every aspect of our business.

Moreover, our teams in the SFL_le_lab and SFL_le_studio workshops carefully track the latest technology trends and innovations to integrate emerging practices – such as the fifth façade (roof) and innovative building materials – as far upstream as possible in our projects.

In 2015, the following initiatives were taken:
- An easily accessible technical data sheet workbook covering innovative, potentially useful products and systems, completed during the year.
- The "Virtuous Head Office" review of ways to improve head office conditions and impacts. Head office data can be found in sections 3.1. (Sustainable building operation) and 4.2. (Health, safety and quality of worklife).

15.4%

of total capital expenditure committed to reducing our environmental impact.

– The “CSR Breakfasts”, short morning conferences open to any employee. Subjects covered in 2015 included eco-citizenship in the office, beehives and bees in the city, and waste management and recycling.
– An easily accessible technical data sheet workbook covering potentially useful architectural concepts and products, completed during the year.
– A visit to remarkable office developments in London by the Management Committee and managers in June.

Clean worksites

Waste materials are recovered and recycled on every SFL-managed worksite.

All of our major redevelopment, upgrade and renovation projects apply a clean worksite charter covering such areas as waste management, choice of materials, and noise, pollution and disamenity abatement.

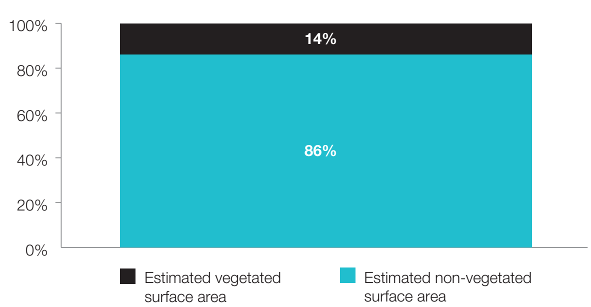
It will be extended to other worksites in the future.

3. 4. Biodiversity in our portfolio

SFL aims to protect and enhance biodiversity in its buildings and continues to contribute to France’s Biodiversity Observatory for Corporate Parks and Gardens (OJEVE), which can use our properties to track the presence of wild pollinators. Two tenants have worked with us to install beehives at Condorcet and Washington Plaza. Green space management contracts ban the use of pesticides.

In 2015, new green spaces were created on the roof and terraces of the Cézanne building (accessible to tenants of adjacent offices) and in the interior courtyards and terraces of the #cloud.paris complex (partially accessible).
Also at #cloud.paris, a natural pigeon damage control method was introduced, involving the periodic use of falcons to replace the previously installed audio scarers and spikes.

VEGETATED VS. NON-VEGETATED SURFACE AREA



This chart illustrates horizontal and vertical green spaces as a proportion of the entire built-up plot of land on the following sites: 92 Champs-Élysées, Rives de Seine, Cézanne Saint-Honoré, Washington Plaza, 176 Charles de Gaulle, Galerie des Champs-Élysées, Le Vaisseau, In/Out, Condorcet and #cloud.paris.

8,934 sq.m

of total vegetated surface area

4. Social responsibility value

Corporate social responsibility is about a lot more than environmental issues. It also covers such employee relations issues as the quality of worklife, the quality of supplier relations, and the quality of employee appreciation and remuneration.

4. 1. Attracting talent and developing employee skills

In view of SFL’s size and the structure of its workforce, developing skills and being able to attract and retain talent is a key challenge.

• Collective agreements

French real estate industry collective agreement: 69 employees at 31 December 2015 (97%). Building caretakers, concierges and employees collective agreement: two employees at 31 December 2015 (3%).

Remuneration and benefits

To encourage our employees’ professional growth and engagement, policies are in place to offer them fair, attractive and incentivising remuneration comprising, for each one, a base salary and a performance bonus. In 2015, the target bonus represented an average 15% of the base salary, excluding Management Committee members. Total remuneration for the year, comprising both the base salary and the bonus, averaged €61,545, again excluding Management Committee members.

• Increase in average salary

On a constant headcount basis, the average base salary rose by 1.61% in 2015 (1.51% for men and 1.66% for women).

In 2015, for the fourth year running, free shares were granted to employees, this time to 48 managers and corporate officers, or 65% of the workforce at year-end. During the year, 57 employees invested in the Group Pension Savings Plan (PERCO), in an average amount of €3,600. This gave rise to an average Company matching payment of €2,955, or 82% of the initial investment. Moreover, in a commitment to encouraging employees to save for retirement, management improved the terms of the PERCO system as part of the annual negotiations completed in December:

71 employees,
of which more than 70% were managers
as of 31 December 2015

– The rules determining the amount of the matching contribution to employee investments were optimised.
– An additional contribution is to be granted in a fixed amount, without the employee having to invest beforehand (in compliance with the Macron Act of 6 August 2015).

These two measures will be implemented in 2016.

In addition, employees with at least three months' service are entitled to profit-shares under non-discretionary and discretionary plans, which paid out a total of €685,000 in 2015, or 11% of the year's payroll.
Lastly, remuneration policies cover a number of extra benefits, including a time savings account that converts unused leave entitlement into investments in the PERCO plan, service vouchers fully financed by the Company and the Works Council, and subsidised food services (meal vouchers and/or intercompany staff restaurants). In 2015, 71 employees at year-end plus 10 people who left the Company during the year received meal vouchers representing a total amount of €78,121.

Attracting and retaining talent

There was a significant amount of movement in the workforce during the past year. Eleven people left the company, of which three through resignation and six through contractual termination. At the same time, nine new employees joined our corporate community, of which seven under permanent work contracts and two under fixed-term contracts, one of which was rolled over into a permanent contract at year-end. In this way, headcount remained stable in 2015, with 71 employees at year-end. Likewise, the movement did not have an impact on average seniority, which still stands at 12 years.

Training and skills development

As part of the digitisation of our HR processes, two new modules were added to our human resources management information system, one for training and the other for performance reviews.

Going digital offers a wide range of benefits:
– Elimination of paper forms.
– Simpler interaction between managers and employees.
– Shorter processing times.
– Improved data traceability.

In the case of training, the new digital module supports improved sharing of the sessions on offer, while enabling more accurate needs analysis and the immediate assessment of the courses attended by each trainee.
In 2015, 2.88% of total payroll was allocated to training programmes as part of initiatives designed to promote employee skills acquisition and/or development.
Nearly 1,370 hours of training were offered to 48 employees, representing an average of 28 hours per trainee. The courses were primarily focused on asset management, financial management, law, business management, office technology and languages.

In addition, a total of 210 hours of training in management and communication/working relationships were given during the year.

4. 2. Health, safety and quality of worklife

As key factors in making SFL a great place to work, health, safety and well-being represent major issues not only for employees, but also for the entire corporate community. With this in mind, these criteria have been fully integrated into our human resources policies, independently of any legal obligations. All employees are represented in a Health, Safety and Working Conditions Committee.

Occupational health and safety

In 2015, only one workplace accident occurred, which did not result in any lost time. Consequently, the accident frequency rate and the severity rate were both zero for the year.
Similarly, a single commuting accident was reported and no occupational diseases were observed during the year.
Following on from the awareness-raising programme on workstation ergonomics implemented in 2013, a review process was launched in 2014, in consultation with the Health, Safety and Working Conditions Committee, on introducing a programme to help prevent psychosocial risks and improve the quality of worklife.
It was deployed in 2015 with the support of a specialised consultancy and in collaboration with a working group made up of employees, employee representatives and our occupational physician. It included a survey sent to every employee and individual meetings to explore six issues:
– The attitude of local management.
– Authority as support.
– Corporate discourse: what the company is saying to employees.
– Team projects: sharing the meaning of work every day.
– What makes work worthwhile.
– The sense of corporate community.

The choice of these issues reflects the purpose of the exercise, which was to ensure compliance with the obligation to regularly assess workplace risks, while laying the foundations for a more satisfying quality of worklife.

1,368

hours of training conducted in 2015

3

quality of worklife factors: health, safety and well-being

A review of the findings, presented to the Management Committee, employee representatives and employees, concluded that there were no situations likely to cause serious psychosocial stress. It also noted the benefits of developing a strong internal culture of management and communication. The action plan scheduled for deployment in 2016 to meet this objective could include training initiatives, workshops or seminars.

Quality of worklife

In addition, SFL is pursuing an active work-life balance policy in support of working parents.

For example, as part of the company-level agreement signed on 18 December 2014 on gender equality in the workplace, one of the improvement objectives for training was to identify and address family-related issues faced by trainees, such as having to take children to and from school or daycare centres.

This particular issue has been resolved by the digitisation of the training module, which enables employees to choose when to attend a course from a list available on the HR information system's portal.

Similarly, our six part-time contracts correspond to employees who have chosen to work fewer hours, as opposed to being forced to for organisational or operational reasons. All part-time work requests submitted by employees to improve work-life balance have been met.

Lastly, with a view to making our supplementary health insurance as competitive as possible and maintaining the same coverage for employees now that the reimbursement of healthcare costs has been legally capped under so-called responsible contracts, a number of measures were successfully negotiated in late 2015:
- The effective reduction in the base contribution rate on healthcare coverage.
- An increase in the employer contribution, to 75% of the total from 66% previously and a corresponding reduction in the employee contribution, to 25% from 33%.
- Introduction of an additional, optional supplementary healthcare plan designed to maintain 2015 reimbursement rates in 2016 for participating employees.

100%

of requests for part-time arrangements were met.

4. 3. Diversity and gender equality in the workplace

Diversity and gender equality in the workplace is a major issue for employee development and business growth.
That is why we have reaffirmed both our pledge to reject any and all forms of discrimination and our commitment to promoting equal opportunity and diversity in the workplace.

Gender equality

In line with the rest of our industry, SFL has a high proportion of women employees, who accounted for 65% of the total workforce at 31 December 2015. With this in mind, in December 2014, we negotiated and signed a gender equality agreement comprising a certain number of measures backed by improvement targets and indicators in the following areas:
- Hiring and job opportunities.
- Promotion opportunities thanks to ongoing skills development.
- Gender-neutral remuneration.

65%

of employees are women.

In 2015, for example, six of the nine people hired during the year were women and 72% of women employees on payroll at year-end attended training courses, compared with 60% of the men.

As part of the statutory annual pay round in 2015, the opening of negotiations on the gender pay gap was duly minuted. At their conclusion, the parties noted that there was no form of gender discrimination and reaffirmed the need to apply the principle of equal pay when individual salary increases are awarded.

Seniors and young people

SFL also attaches particular importance to combating age-based discrimination.
The average age of employees is 45 and employees aged 45 and over represented more than half of the workforce at 31 December 2015. People under 35 accounted for 18% of employees.

People with disabilities

As part of our policy of supporting employment opportunities for disabled people, each year a significant proportion of the amount payable under France's apprenticeship tax scheme is allocated to ADAPT, a not-for-profit organisation working in this area. In 2015, the amount stood at €6,538.

In addition, we contributed a grant of €15,000 (excl. tax) to ADAPT's operating budget for the year.

Given the stability of its workforce and low hiring volume, SFL paid €5,718 into the AGEFIPH disabled employment fund in fulfilment of its statutory obligations concerning the employment of disabled workers.

4. 4. Sustainable procurement and supplier relations

In recent years, SFL has paid particular attention to the sustainability of its procurement process. A variety of initiatives have been undertaken to support a procurement strategy that reflects sustainability criteria by:
– Demonstrating best-in-class supplier management performance.
– Integrating CSR into the tender criteria and specifications for building managers and works contractors.
To lead this aspect, an environment and sustainable procurement unit has been set up and tasked with implementing action plans to i) manage our costs and environmental impacts more effectively, notably for projects carried out by the Technical and Development Department; and ii) meet our CSR performance objectives by:
– Analysing CSR drivers.
– Selecting materials.
– Monitoring technical and environmental trends and conducting R&D programmes (SFL_le_lab).
– Tracking our CSR performance.

Tenders and supplier management

To avoid inappropriate use of sub-contractors, the sub-contracting pyramid is limited to a maximum of two levels.
In addition, when commissioning work, priority is given to local companies and contractors.
For example, in 2015, 83% of our suppliers were based in the Greater Paris region.

Supplier administrative processes are managed mainly via the "e-Attestation" compliance platform, which is used to track all of the suppliers with the selected APE business identifier codes and doing more than €3,000 in business with the Group. This subject is described in more detail in the governance and ethics section.

In accordance with Article L.441-6 of the French Commercial Code, unless agreed otherwise by the parties, supplier invoices are paid by SFL on the thirtieth day following receipt of the goods concerned.

Supplier relations

Suppliers play an extensive role in our processes to drive continuous improvement and performance. Multi-technical maintenance providers, for example, have undertaken to embrace our CSR commitment. We also ensure that their sub-contractors participate in this process. In practice, maintenance providers submit technical recommendations that encourage responsible behaviour, notably in the following areas:
• Optimising energy and fluids use.
• Using eco-friendly cleaning products.
• Reducing the amount of packaging and waste.
• Enhancing the occupant experience.
• Increasing the scores for BREEAM In-Use certifications.

Communicating with worksite personnel

Care is taken to create open communication channels with construction teams during redevelopment and renovation works to ensure that they are carried out safely and smoothly.
The worksite health and safety procedure includes:
• Environmental training/information (for triple certification sites).
• Access passes for workers.
• Risk prevention measures.
• On-site first responders.
• First-aid equipment.
• An incident archive system.

Contractors working on-site are given a handbook containing:
• Information on break schedules.
• Restrictions concerning the use of radios.
• Practical information about site organisation (sanitary facilities, access, opening hours, etc.).
• Instructions for personal protection equipment in compliance with the applicable regulations.
Designed for each worksite's exclusive use, the handbook is translated into the second language most spoken by site workers. In the same way, on-site information notices and signage are also translated into several languages. This ensures that workers can easily find their way around the sites and stay constantly informed.

83%

of SFL suppliers are based in the Greater Paris area.

The circular economy

During the cleaning and dismantling of the showroom installed in the In/Out building, SFL commissioned a service provider that reused the fitting-out materials either directly or in new applications.
This practice, which helps to manage renovation project waste more responsibly, will be deployed more systematically in coming years by using specialised service providers.

Other initiatives being led at the head office

Corporate vehicle fleet

A hybrid car was purchased to replace a diesel-power model and a charging station was installed in the car park that could eventually be used for several vehicles.

Cafeteria consumables

In late 2015, personalised mugs were distributed to employees to reduce the use of plastic or recycled paper cups.

Environmental impact of suppliers

When the messenger service was put out to tender, SFL chose a company that integrates the environmental impact of its services in its financial results. To meet its objectives, the company limits its most carbon-heavy means of transport, preferring instead messengers who use bicycles, scooters and EVs.

4. 5. The local urban footprint of our portfolio

SFL supports Fondation Palladio in its commitment to building the city of tomorrow. The CSR issue concerning our local urban footprint covers the ability to design and manage property assets that meet a city's social needs, such as modern architectural design and blending sites seamlessly into the urban environment. It also involves fostering good-neighbour relations by limiting any disamenities caused by redevelopment works.

Good-neighbour relations and communication during redevelopment works

SFL has deployed a stakeholder dialogue and governance system involving elected officials and local authorities during the project design phase and neighbouring communities during the works phase. Through quarterly meetings, dedicated email addresses, information boards and letters, public hearings and informal presentations, we work closely with stakeholders to build the most appropriate solutions for the maintenance and development of our assets.

Community integration

As a member of the French property industry federation (FSIF), SFL participates in the meetings for France's Sustainable Building Plan.
For each project, interaction in the upstream phase helps to define the worksites with the lowest impact on the urban environment.
Examples of integration into the urban environment include the deployment of a tree protection plan, the pedestrianisation of rue Ménars and the installation of low-impact fitness equipment in the #cloud.paris site's public access area.

Architectural design

SFL pays particular attention to the architectural quality of its assets. To help us meet some of the highest standards in this area, we tend to work in close cooperation with official French government heritage preservation architects (ABFs). Prior to any redevelopment project, in-depth historical reviews are performed to ensure that the buildings blend seamlessly into the high-quality urban environments in our host cities of Paris, Boulogne, Neuilly and Issy-les-Moulineaux.

After several meetings with the Paris urban planning agency and ABF architects, the permit for the Louvre Saint-Honoré redevelopment project was issued in 2015, in a highly sensitive Parisian setting near the Louvre and Palais-Royal monuments along rue de Rivoli, a major thoroughfare.

Also during the year, designers Noé Duchaufour-Lawrance (#cloud.paris) and Matthieu Paillard (90 Champs-Élysées, #cloud.paris) were commissioned to redefine the buildings' interior architecture by creating highly contemporary spaces, while also improving traffic flows and optimising lighting. The #cloud.paris building was honoured with a 2015 SIIC Award in the *Ville et Avenir* category, the 2015 Eco-Construction Grand Prize at the Geste d'Or Awards and a 2016 MIPIM Award in the Best Office & Business Development category.

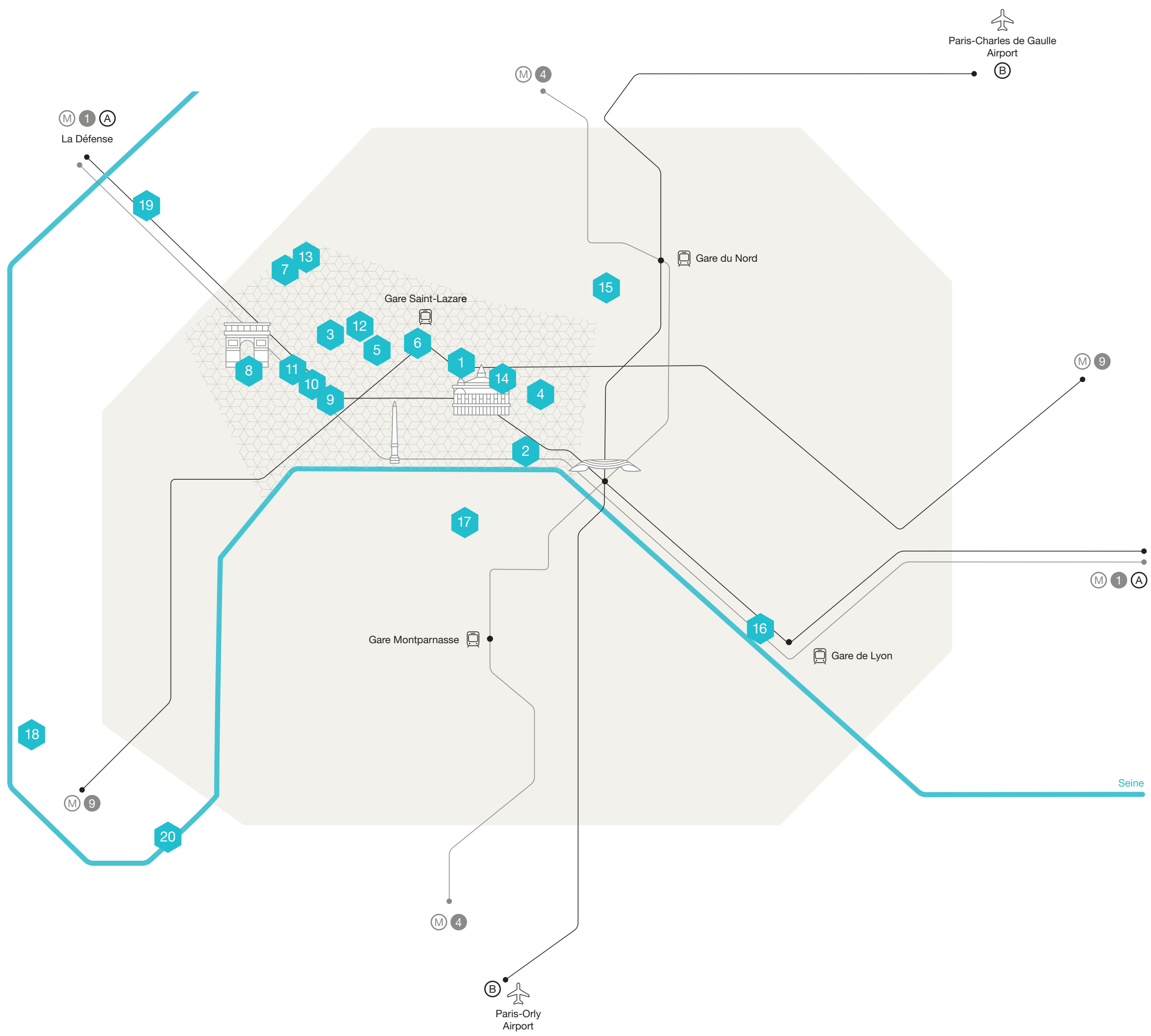
In addition, SFL is a member of France's Architecture and Project Owner Association (AMO), which promotes constructive relations between architects and building owners. In all, our commitment to outstanding architectural design is helping to enhance the quality of urban life in our host cities and neighbourhoods.

5. Appendices

5. 1. Presentation of the Property Portfolio

Our portfolio

SFL is a property company that specialises in the prime commercial real estate market. In value terms, office properties make up 80% of the portfolio, retail units 19%, and residential units 1%. The aggregate revenue generated from the portfolio in 2015 was €168.8 million and the physical occupancy rate at the year-end was 95.6%.



CBD

1 Édouard VII
2 Louvre Saint-Honoré
3 Washington Plaza
4 #cloud.paris
5 Cézanne Saint-Honoré
6 Haussmann Saint-Augustin
7 131 Wagram
8 96 Iéna
9 Galerie Champs-Élysées
10 90 Champs-Élysées
11 92 Champs-Élysées
12 9 Percier
13 112 Wagram
14 6 Hanovre

Rest of Paris

15 Condorcet
16 Rives de Seine
17 103 Grenelle

Western Crescent

18 In/Out
19 176 Charles de Gaulle
20 Le Vaisseau

OUR PORTFOLIO

	Total surface area*
Paris Central Business District	
Édouard VII	54,100 sq.m
Louvre Saint-Honoré	47,700 sq.m
Washington Plaza	47,000 sq.m
#cloud.paris	35,000 sq.m
Cézanne Saint-Honoré	29,000 sq.m
Haussmann Saint-Augustin	13,400 sq.m
131 Wagram	9,200 sq.m
96 Iéna	8,900 sq.m
90 Champs-Élysées	8,900 sq.m
Galerie Champs-Élysées	8,700 sq.m
92 Champs-Élysées	7,700 sq.m
9 Percier	6,700 sq.m
112 Wagram	6,000 sq.m
Total	**286,900 sq.m**
Rest of Paris	
Condorcet – Paris 9	24,900 sq.m
Rives de Seine – Paris 12	22,700 sq.m
103 Grenelle – Paris 7	18,900 sq.m
Total	**66,500 sq.m**
Western Crescent	
In/Out (Boulogne-Billancourt)	36,600 sq.m
176 Charles de Gaulle (Neuilly-sur-Seine)	7,400 sq.m
Le Vaisseau (Issy-les-Moulineaux)	6,300 sq.m
Total	**50,300 sq.m**

*Including infrastructure and excluding car parks.

Building addresses may be found on our website at www.fonciere-lyonnaise.com.

TENANT CATEGORIES

MEDIA AND DIGITAL
Finance, Asset management and Insurance
LAW FIRMS
FASHION HOUSES
Manufacturers
Consultancies
REAL ESTATE COMPANIES

403,600 sq.m

of consolidated assets in 20 buildings

5. 2. Reporting scope and procedures

a) Summary description

Energy

Indicator: total energy used per sq.m per year by the buildings in the scope of reporting, adjusted for occupancy and climate data.

Scope

Eight buildings in the 2011 baseline year.
Increase in scope: one additional building in 2012 and two in 2013.

Total use per building

Total invoiced use for the common areas and estimates based on typical ratios for the private areas.

Adjustment for climate data

Annual use adjusted for the climate conditions in the baseline year (unified degree days and sunshine hours).

Adjustment for occupancy data

Total annual use divided by the total surface area of the building, adjusted for the building's occupancy rate (defined as total let area divided by gross leasable area).

Water

Ratio of total use adjusted for occupancy in the increased scope (11 buildings).

Waste

Production of NHIW and cardboard in the five buildings currently reporting waste data (96 Iéna, 103 Grenelle, Louvre Saint-Honoré, Washington Plaza and Rives de Seine).

CO_2

Total emissions per occupied square metre in the increased scope (11 buildings).

Vegetated space

Horizontal or vertical vegetated square metres divided by total registered land area.

b) Detailed description of the methodology

To report data on building energy use, water use and waste production, proprietary procedures have been developed to standardise the data collection process and define the contributors and the verification method.

These procedures also describe the applicable standards, notably Article 225 of France's Grenelle II Act of 12 July 2010, the Global Reporting Initiative (GRI G4) and CRESS supplement, and the EPRA's recommendations.
Lastly, they define the scope of reporting.

Scope of reporting

SFL's portfolio comprises 20 buildings, representing a total surface area of 403,600 sq.m.
The 11 buildings included in the scope of reporting are multi-tenant properties with high occupancy rates (over 60%).
The scope of reporting does not include single-tenant buildings, buildings being vacated for future redevelopment, buildings undergoing redevelopment and residential space.
The buildings concerned are as follows:
Baseline year 2011 (2011 scope)
1. 176 Charles de Gaulle (Neuilly-sur-Seine)
2. 96 Iéna (Paris 75016)
3. Édouard VII (Paris 75009)
4. Washington Plaza (Paris 75008)
5. Rives de Seine (Paris 75012)
6. Louvre Saint-Honoré (Paris 75001)
7. 103 Grenelle (Paris 75007)
8. Cézanne Saint-Honoré (Paris 75008)
Baseline year 2012 (2012 scope)
9. 112 Wagram (Paris 75017)
Baseline year 2013 (2013 scope)
10. Galerie des Champs Élysées (Paris 75008)
11. 92 Champs-Élysées (Paris 75008)

Changes in the scope of reporting

The number of buildings in the scope of reporting may increase as a result of:
• Acquisitions.
• The delivery of redeveloped buildings that are at least 60% let and have been in use for at least one full year.

Standard surface area and occupancy rate of buildings in the scope

The standard measure used to calculate building energy intensity is the average useful surface area, expressed in square metres. Occupancy rates are reported at the end of the calendar year and reflect the actual occupancy rate of each property at 31 December.

Energy

Energy data is collected from the following sources and consolidated first for each building and then for the entire scope of reporting:
• Meter readings.
• Property manager invoices (before tax and subscription fees).

When an asset's total energy use is unknown, in particular for the private areas, it is estimated based on the energy typically used by the tenant's HVAC installations.

These estimates, which give a clearer picture of actual use and vary by building, are determined in partnership with an experienced energy analysis agency, based on the energy used in SFL's private areas.
In some cases, tenant energy use may reflect only the electricity used by office equipment because heating and air conditioning systems are centralised, as at 176 Charles de Gaulle in Neuilly-sur-Seine.

Estimated use figures are replaced with actual tenant data as soon as they are collected.

The increase or decrease in energy used by properties in the scope of reporting is determined in relation to a baseline year set at 2011 for properties reporting since 2011, 2012 for properties added to the scope that year, and so forth.

The comparison between the baseline year and the year considered factors in climate variability using unified degree days (base 18°C), taken from www.meteociel.fr for these two years.

In analysing energy use, the baseline year is determined by the year the property was added to the scope of reporting (see above).

Water use

The method used to measure water use is more straightforward, as each property is supplied from a single source.
Data is collected by:
• Reading water meters.
• Consolidating invoices.

Waste

Waste tonnage is determined based on reports provided by service providers and daily weighings of paper waste at the head office.

5. 3. Identifying, prioritising and managing CSR issues

In 2015, our CSR priorities were identified and their materiality analysed using a process that consisted of:
– Mapping the SFL value chain and identifying the CSR issues at each stage.
– Analysing industry best practices and CSR expectations.
– Structuring the 15 identified priorities into four key areas.
– Precisely defining the CSR issues, including a description, drivers, risks and opportunities and existing initiatives. This situated them on the "business" axis of the CSR issues map, by reference to the seriousness and likelihood of occurrence of each issue's risks and opportunities.
– Identifying stakeholders and their expectations based on detailed documentation and operating staff feedback, to situate each expectation on the "stakeholder" axis of the CSR issues map.

These different stages are described in more detail below.

a. Description of SFL's CSR issues

Utility value of our properties for tenants

– Location and access: the daily commute and business travel by occupants of SFL buildings, in terms of distance travelled and means of transport (underground, bus, municipal bicycle and car-sharing stations, electric vehicle charge points and car pooling). This value proposition also covers the topic of the urban mix.
– Tenant relations and satisfaction: SFL's ability to meet tenant expectations and ensure their satisfaction. This value proposition also entails entering into medium-term agreements with tenants on CSR-related issues so that they can support us in driving our own CSR performance.
– Certification: earning certification for properties.
– Amenities, layout and organisational efficiency: creating utility value with popular amenities, efficient layouts and a safe, healthy working environment (natural light, quiet, indoor air quality, optimised use of space and traffic flows, disabled access, occupant services, etc.).

All of these factors have a direct effect on occupant well-being, while stimulating creativity and improving organisational efficiency for tenants.

Building a sustainable portfolio

– Sustainable building operation: optimising energy and water use and effectively managing waste generated from operations.
– Carbon efficiency: reducing emissions of greenhouse gases (GHGs) from properties by increasing energy efficiency, optimising the energy mix and minimising coolant leaks.
– Factoring CSR into capital expenditure projects: optimising the social and environmental impacts of capital expenditure committed during renovation and redevelopment projects with a view to enhancing the property's overall CSR performance throughout its life cycle.
– Biodiversity: avoiding excessive urbanisation and integrating biodiversity into SFL properties.
– Safety and environmental risk management: managing regulatory and physical risks that could affect the safety of occupants.

Attracting, motivating and retaining employees

– Employer appeal, skills development: attracting and retaining talent and developing capabilities. In response to fast changing legislation, standards and industry practices, we constantly develop the skills of our employees, so as to maintain their expertise, support their employability and strengthen their engagement and trust.
– Health, safety and quality of worklife: workplace health and safety policies and enhancing the quality of worklife.
– Diversity and equal opportunity: combating all forms of discrimination in accordance with the principles of human rights.

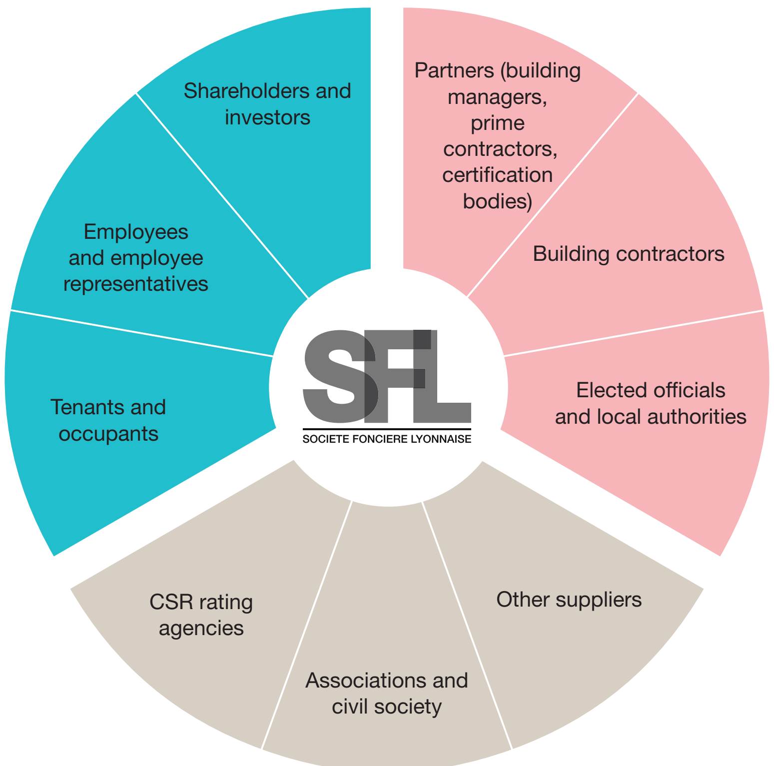
Governance, ethics and society

– Governance and ethics: upholding the principles of good corporate governance and business ethics by demonstrating our ability to deploy robust control systems to prevent any unfair or illegal business practices. This priority is very closely linked to governance and ethics risks.
– Sustainable procurement and supplier relations: integrating CSR criteria into procurement policies to ensure that the practices of our leading suppliers comply with our CSR policies. This issue also involves the fostering of stable supplier relationships and the application of fair payment terms.
– Local urban footprint: the ability to design and manage property assets that meet the city's social needs, such as modern architectural design and blending sites seamlessly into the urban environment. It also involves fostering good-neighbour relations by limiting any disamenities caused by redevelopment works.

During the materiality analysis, each CSR issue was defined in detail, along with its related risks and opportunities. This gave each one a score plotted on the "business" axis of the CSR issues map.

STAKEHOLDERS AND THEIR CSR EXPECTATIONS

SFL's identified stakeholders have been classified into three categories based on the extent of their direct or indirect impact on our revenue and operations.



- Stakeholders with a major direct impact on our revenue and business
- Stakeholders with a significant indirect impact on our revenue and business
- Stakeholders with a moderate indirect impact on our revenue and business

	Stakeholder	Expectations	Dialogue method	Frequency
Major impact on revenue and operations	Tenants and occupants	Building accessibility Occupant well-being, motivation and organisational efficiency Property company's ethical conduct	Dialogue with the property manager (SFL contact) Satisfaction survey	Continuous Every two years
	Employees and employee representatives	Remuneration and benefits Training and career mobility opportunities Occupational health and safety Well-being and quality of worklife Employer's ethical conduct	Information and consultation processes with employee representatives	Monthly
	Shareholders and investors	Overall CSR performance	Board of Directors Investor roadshow Annual General Meeting	Monthly
Significant impact on revenue and operations	Partners (building managers, prime contractors, certification bodies)	Health and safety of service providers Property company's ethical conduct Compliance with contractual clauses Long-term relationships & local jobs	Technical specifications and dialogue with operations and asset management teams	Weekly
	Building contractors and project partners	Health and safety of service providers Property company's ethical conduct Compliance with contractual clauses Long-term relationships & local jobs	Technical specifications and dialogue with teams from the Technical and Development Department Meetings with project managers	Weekly
	Elected officials and local authorities	Health and safety Property company's ethical conduct Integration into the local urban development plan Integration into the architectural environment Urban mix & local jobs	Consultation with local elected officials during the project design phase (administrative permits)	As required
Moderate impact on revenue and operations	Other suppliers	Property company's ethical conduct Compliance with contractual clauses Long-term relationships	Contracts	As required
	Associations and civil society	Occupant safety and health Property company's ethical conduct Compliance with the Grenelle II Act and the Sustainable Building Plan Urban mix & local jobs	Neighbourhood meetings	Quarterly
	CSR rating agencies	CSR transparency and performance CSR initiatives and action plans	Media and communication documents (management report, CSR report, website, etc.) Questionnaire responses	Annual

b. CSR issues map

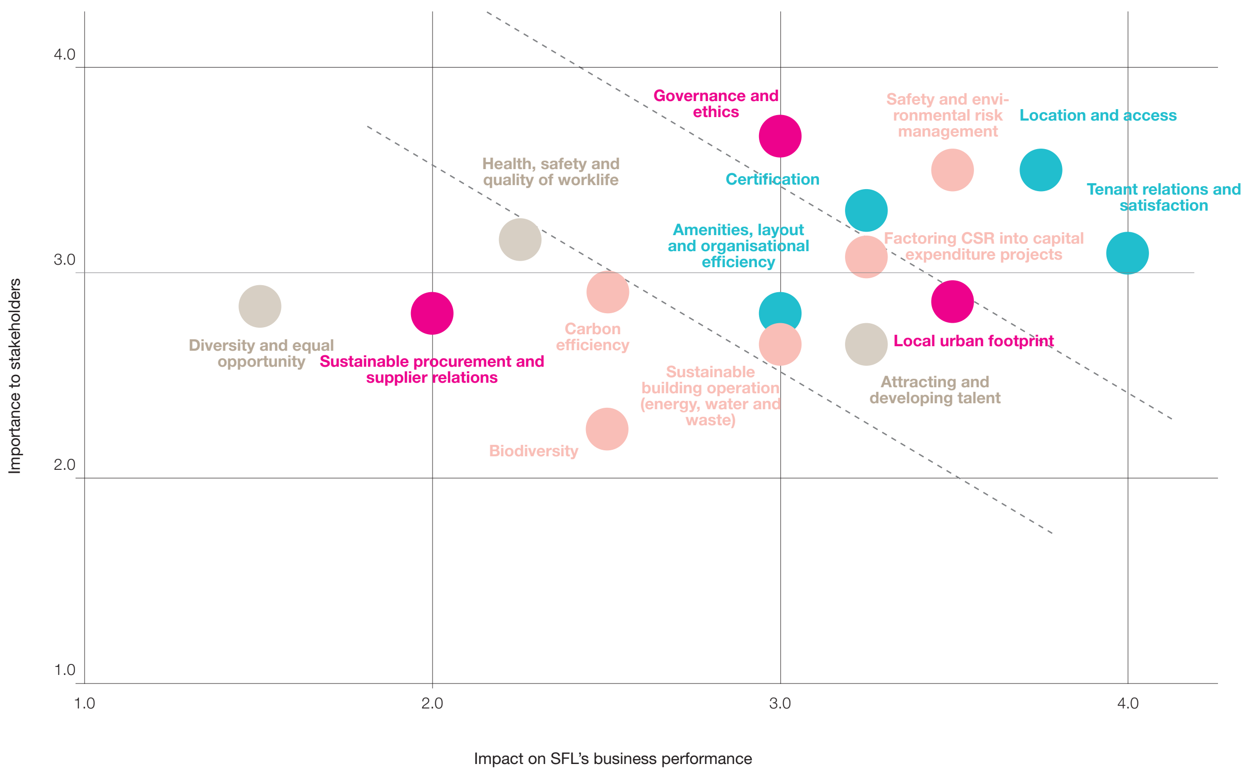
Based on the findings of the materiality analysis, the following map classifies our CSR issues into three levels of materiality, as follows:

1. Ranking first in materiality are the five fundamental CSR issues integrated into our core business
Location and access; tenant relations and satisfaction; certification; health and safety and environmental risk management; and governance and ethics. These issues form an intrinsic part of our strategic vision.

2. Ranking midway in materiality are the five major CSR issues
Amenities, layout and organisational efficiency; sustainable building operation; factoring CSR into investment decisions; local urban footprint; and attracting talent and developing skills. These issues contribute to our intangible value and resonate with emerging stakeholder expectations and new impacts on our business.

3. Ranked below the second materiality threshold are five CSR priorities to be tracked
Carbon efficiency; biodiversity; health, safety and quality of worklife; diversity and equal opportunity; and sustainable procurement and supplier relations. These issues do not have much of an impact on our short-term strategy, but they need to be tracked as their materiality could change over time.

The carbon efficiency issue is primarily addressed through energy performance initiatives.



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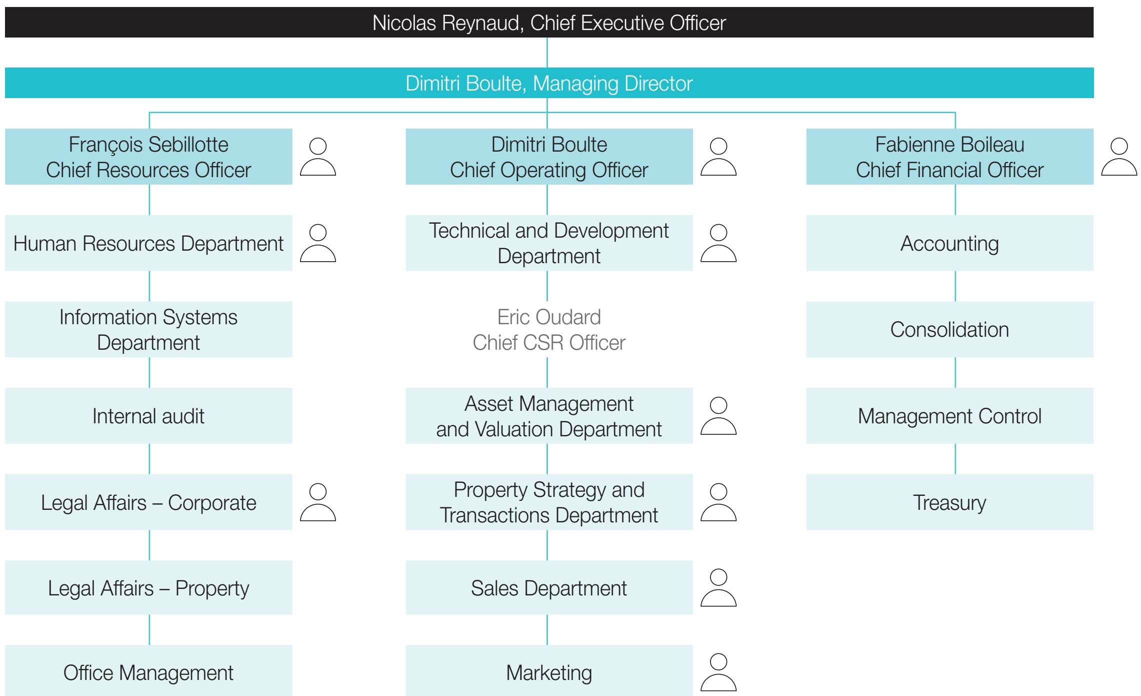
c. Managing the CSR process

SFL's organisation and the operating procedures of the Management Committee and Board of Directors are described in section 3 of the Registration Document.

CSR is integrated into our business operations on a cross-functional basis. The CSR Department is led by Eric Oudard, Technical and Development Director. The other corporate departments concerned by these issues contributed their input through CSR working groups, which enabled the preparation of this report.



Departments with members in the CSR working groups

During the year, the CSR working groups met to work on the materiality of our CSR issues and policies, providing invaluable feedback from the front line. Their members also made a major contribution to this report, particularly the Sustainable Procurement and Environment Manager and the Risk Management Officer.

5.4. Additional ethics and compliance information

Every employee's work contract includes a code of conduct which covers issues such as professional integrity, combating fraud, non-discrimination and compliance with tax rules. The Group also complies with the specific code of conduct for SIICs (real estate investment trusts) which covers topics such as the selection and rotation process used for the independent valuers that value the portfolio.
Employees may also contact the Internal Control Department if they have any questions about professional ethics or conduct.
Note that there were no corruption-related incidents or sanctions in 2015 and no political donations were made during the year, in accordance with French legislation.

Measures are also in place to ensure that employees as well as suppliers uphold the Fundamental Conventions of the International Labour Organisation (ILO) in the areas of:

- Freedom of association and collective bargaining.
- Eliminating discrimination in respect of employment and occupation.
- Eliminating forced and compulsory labour.
- Effectively abolishing child labour.

Other than in exceptional cases, every supplier, irrespective of the type of goods or services provided, is subject to a number of obligations under applicable labour legislation, particularly as regards clandestine labour and the employment of foreign workers.

Failure of any supplier to comply with these legal or regulatory obligations could expose SFL to the risk of legal and/or financial sanctions, a situation that has led to a review of our practices in this area.

French legislation prohibits clandestine labour and the employment of undocumented foreign workers.
As a disincentive, liability is assigned at two levels:
- Direct: the company that does not report an employee or employs an undocumented worker is subject to criminal, administrative and financial sanctions.

Indirect: a company may also be held financially liable if, when a contract for the provision of work or services is signed, it does not verify that its co-contractor is in compliance with reporting rules and employer tax payments. This compliance has to be checked every six months throughout the term of the contract.

To avoid any risk of non-compliance and meet our obligations concerning supplier employee documentation, SFL:
- Uses a collaborative, web-based platform on which suppliers submit the necessary documentation.
- Includes a standard contractual clause in every contract worth more than €3,000 (excl. VAT).

The dedicated platform enables suppliers to submit, simply and free of charge, all of their employee and tax-related documentation as well as any required certificates and statements concerning their technical and financial capabilities. It manages all of the administrative documents, verifies that they are complete, and if necessary sends reminders to the suppliers concerned. This enables us to check compliance at any time, both of existing suppliers and potential new suppliers if they are included in the database.

In 2015, an initial list of suppliers was selected based on their APE business code and depending on their exposure to the risk of employing undocumented workers.

Integrating CSR into corporate governance

- Annual review of environmental, social and governance (ESG) performance and CSR issue mapping exercise with the Board of Directors and Audit Committee (regulatory compliance)
- Sharing CSR practices with the primary shareholder
- Integrating material CSR risks into the corporate risk map

The most significant CSR risks are as follows:
- Risk of potential additional costs, e.g., to address obsolescence, energy efficiency, disputes with neighbouring communities, etc.
- Risk of criminal sanctions if suppliers are found to use undocumented workers.
- Risk of delays in obtaining permits or authorisations due to biodiversity issues, local urban impact, etc.
- Human resources risks (inability to attract talent, skills obsolescence, etc.).
- Risk that our CSR performance will deteriorate if tenants do not embrace our CSR commitment.

The main opportunities identified are:
- Opportunity to attract and satisfy tenants (location, amenities, efficient planning of renovations, etc.).
- Opportunity to increase rental and asset values.
- Opportunity to foster innovative tenant relations ("green" leases, etc.).
- Opportunity to nurture the trust of shareholders, tenants, public authorities and investors.

Governance

See Appendix 7.5 (Chairman's Report on Corporate Governance and Internal Control) on pages 84 *et seq.* of the management report, in which the following subjects are explained:
- The roles and responsibilities, membership and independence of the Board of Directors and the Board of Directors' advisors.
- Compliance with the recommendations of the AFEP-MEDEF Corporate Governance Code and analysis of any shortfalls.
- Remuneration of executives and directors, notably the shareholders' say on pay vote.
- The internal control process and the Statutory Auditors' report on the financial statements.

5.5. Cross-reference table for information required under the Grenelle II Act

	Article 225 of the Grenelle II Act, in accordance with the enabling decree of 24 April 2012	Page(s) in the 2015 Management Report
LABOUR AND EMPLOYMENT		
1° Labour and employment information		
	a) Employment	
1	Total workforce by gender, age group and geographic region	p. 72
2	Hirings and terminations	p. 72
3	Remuneration and changes in remuneration	p. 55
	b) Organisation of work	
4	Organisation of working hours	p. 57
5	Absenteeism	p. 72
	c) Labour relations	
6	Organisation of social dialogue, particularly employee information, consultation and negotiation procedures	pp. 56; 62
7	Outcome of collective agreements	p. 57
	d) Health and safety	
8	Occupational health and safety conditions	pp. 56; 57
9	Outcome of collective agreements signed with trade unions or employee representatives concerning occupational health and safety	p. 57
10	Work-related accidents (notably their frequency and severity) and occupational diseases	p. 72
	e) Training	
11	Training policies	p. 56
12	Total number of training hours	pp. 56; 72
	f) Equal opportunity	
13	Measures taken to promote gender equality	p. 57
14	Measures taken to promote the hiring and retention of people with disabilities	p. 57
15	Anti-discrimination policies	pp. 57; 67
	g) Promotion of and compliance with the fundamental conventions of the International Labour Organisation concerning:	
16	Freedom of association and collective bargaining	p. 67
17	Elimination of discrimination in respect of employment and occupation	p. 67
18	Elimination of forced and compulsory labour	p. 67
19	Effective abolition of child labour	p. 67

ENVIRONMENT		
2° Environmental information		
	a) Environmental policy	
20	Organisation of the Company to take environmental issues into account, and environmental assessment and certification programmes	p. 48
21	Employee training and information on environmental protection	p. 55
22	Total investments and expenditures to prevent environmental risks and pollution	pp. 50; 51
23	Total provisions and guarantees for environmental risks, except where this information is likely to cause serious prejudice to the company in an ongoing dispute	p. 51
	b) Pollution and waste management	
24	Measures to prevent, reduce and clean up environmentally harmful emissions and discharges into the air, water and soil	p. 53
25	Measures to prevent, recycle and eliminate waste	p. 53
26	Measures to mitigate noise pollution and all other types of pollution specific to an activity	p. 59
	c) Sustainable use of resources	
27	Water use and water withdrawals in relation to local resources	p. 53
28	Consumption of raw materials and measures to improve their efficient use	p. 59
29	Energy use and measures to improve energy efficiency and use renewable energy sources	pp. 51; 52
30	Land use	p. 51
	d) Contribution to combating global warming and adapting to its impact	
31	Greenhouse gas emissions	pp. 53; 54
32	Measures to adapt to the impact of climate change	p. 51
	e) Protection of biodiversity	
33	Measures taken to preserve or develop biodiversity	p. 55
SOCIAL RESPONSIBILITY		
3° Information on social responsibility commitments to promote sustainable development		
	a) Regional, economic and social impact of the Company's activities	
34	Impact on employment and regional development	p. 58
35	Impact on local and neighbouring communities	p. 59
	b) Relations with stakeholders, notably mainstreaming associations, educational institutions, environmental associations, consumer associations and neighbouring communities	
36	Stakeholder dialogue	p. 59
37	Partnership or philanthropic programmes	p. 59
	c) Sub-contracting and suppliers	
38	Inclusion of social responsibility and environmental issues in purchasing policy	p. 58
39	Importance of sub-contracting and integration of corporate social responsibility in relationships with suppliers and sub-contractors	p. 58
	d) Fair business practices	
40	Measures to prevent corruption	p. 67
41	Measures to preserve consumer health and safety	pp. 49; 50
	e) Human rights	
42	Other measures taken to promote human rights	p. 67

5.6. GRI* G4 and EPRA indicators and cross-reference table for the GRI* G4 standard

Disclosures	GRI G4	EPRA	Source/Unit	Scope	2012	2013	2014	2015
ENVIRONMENT								
Energy								
Energy consumption within the organisation	EN3		Electricity in MWh	SFL head office	220	182	192	167
Energy consumption outside of the organisation	EN4	3.3	Fuel oil in MWh	FULL SCOPE	560	552	409	734
		3.1	Electricity in MWh		36,991	41,632	39,184	39,912
		3.2	Urban heating and cooling system in MWh		17,162	20,956	18,438	19,728
Energy intensity	EN5 CRE1	3.4	kWh/sq.m/year		277	294	261	267
			kWh/user/year		2,036	2,023	1,841	1,934
Water								
Water withdrawn from municipal water supplies or other water utilities	EN8	3.8	cu.m	FULL SCOPE	133,495	125,941	127,328	135,056
Total volume of water recycled and reused	EN10		cu.m	In/Out & WP (2015)	N/A	N/A	2,598	2,296
Building water intensity	CRE2	3.9	cu.m/sq.m/year	FULL SCOPE	0.7	0.6	0.6	0.6
			litres/occupant/day		23	18	18.4	19.7
Emissions								
Direct greenhouse gas (GHG) emissions (Scope 1) (based on energy used)	EN15	3.5	t CO_2 eq.	FULL SCOPE	150	182	135	239
Energy indirect greenhouse gas (GHG) emissions (Scope 2) (based on energy used)	EN16	3.6	t CO_2 eq.		4,821	5,804	5,032	5,172
Other indirect greenhouse gas (GHG) emissions (Scope 3) (work-related journeys by building users)	EN17		t CO_2 eq.		5,350	7,227	7,198	7,524
Greenhouse gas (GHG) emissions intensity from buildings	EN18 CRE3	3.7	kg CO_2 eq./sq.m/year		25.2	27.9	23	23.95
			kg CO_2 eq./occupant/year		192	192	164	189
Waste								
Total weight of waste by type	EN23	3.10	NHIW (tonnes)	5 buildings	N/A	367	239	254
			Paper/cardboard (tonnes)		N/A	171	179	179

*GRI: Global Reporting Initiative

Disclosures		Scope	GRI G4	2012	2013	2014	2015
Organisational profile							
Report the percentage of total employees covered by collective bargaining agreements.		SFL Group	G4-11	100%	100%	100%	100%

Social – labour practices and decent work							
Employment							
Total number of employees and number of new hires	Total number of employees	SFL Group	LA1	81	74	74	71
	Permanent contracts			80	73	73	69
	Fixed-term contracts			1	1	1	2
	Men			30	30	29	25
	Women			51	44	45	46
	Managers			54	52	53	52
	Supervisors			13	11	11	12
	Administrative employees			14	11	10	7
	Under 45			36	34	33	32
	Aged 45 or over			45	40	41	39
	Paris			81	74	74	71
	Other			0	0	0	0
	New hires						
	Permanent contracts			2	6	4	7
	Fixed-term contracts			1	1	2	2
	Men			2	4	2	3
	Women			1	3	4	6
	Managers			3	6	5	9
	Supervisors			0	0	0	0
	Administrative employees			0	1	1	0
	Under 45			3	6	5	9
	Aged 45 or over			0	1	1	0
Number of terminations by reason	Personal			3	2	2	1
	Economic			0	0	0	0
Total payroll	€ '000s (gross)		LA3	6,494	7,115	7,097	6,112

Occupational health and safety						
Number of reported and recognised lost-time workplace accidents	SFL Group	LA6	0	1	1	1
Number of reported and recognised lost-time commuting accidents			1	6	0	1
Number of working days lost as a result of workplace accidents			0	0	0	0
Number of working days lost as a result of commuting accidents			13	20	0	8
Accident frequency rate			7.37	25.95	0	0
Accident severity rate			0.09	0.17	0	0
Number of reported and recognised occupational diseases			0	0	0	0
Absenteeism (in number of working days)			986	846	978	982
Illness						
Maternity leave			256	173	216	90
Leave to take care of sick children			30	18	33	28
Leave for family events			49	15	51	14

Training							
Total number of training hours (excluding hours accrued under the French statutory training entitlement)	in hours	SFL Group	LA9	1,337	840	1,280	1,368

Cross-reference table for the GRI* G4 standard

		Page(s) in the 2015 Management Report
GRI G4 General Standard Disclosures		
Strategy and Analysis		
G4-1	Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	p. 41
Organisational profile		
G4-3	Report the name of the organisation.	p. 41
G4-4	Report the primary brands, products, and services.	p. 7
G4-5	Report the location of the organisation's headquarters.	p. 48
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	p. 60
G4-7	Report the nature of ownership and legal form.	p. 10
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	p. 60
G4-9	Report the scale of the organisation, including: total number of employees; total number of operations; net sales (for private sector organisations) or net revenues (for public sector organisations); total capitalisation broken down in terms of debt and equity (for private sector organisations); and quantity of products or services provided.	pp. 57; 72
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	p. 72
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	p. 55
G4-12	Describe the organisation's supply chain.	p. 42
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: changes in the location of, or changes in, operations, including facility openings, closings, and expansions; changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations); changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.	pp. 7; 8; 31 to 35
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	pp. 24 to 28
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	pp. 27; 55; 81
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic. This refers primarily to memberships maintained at the organisational level.	p. 59

*GRI: Global Reporting Initiative

Identified material aspects and boundaries

G4-17	a. List all entities included in the organisation's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	p. 10
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	p. 62
G4-19	List all the material Aspects identified in the process for defining report content.	p. 63
G4-20	For each material Aspect, report the Aspect Boundary within the organisation, as follows: - Report whether the Aspect is material within the organisation. - If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspect is material. - Report any specific limitation regarding the Aspect Boundary within the organisation.	p. 63
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation, as follows: - Report whether the Aspect is material outside of the organisation. - If the Aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified. - Report any specific limitation regarding the Aspect Boundary outside the organisation.	p. 63
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	p. 62
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	p. 62

Stakeholder engagement

G4-24	Provide a list of stakeholder groups engaged by the organisation.	p. 43
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	pp. 43; 65
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	pp. 43; 48; 49
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	p. 43

Report profile

G4-28	Reporting period (such as fiscal or calendar year) for information provided.	p. 7
G4-29	Date of most recent previous report (if any).	p. 41
G4-30	Reporting cycle (such as annual, biennial).	p. 62
G4-31	Provide the contact point for questions regarding the report or its contents.	p. 67
G4-32	a. Report the 'in accordance' option the organisation has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	p. 45
G4-33	a. Report the organisation's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organisation and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	pp. 44; 77

Governance

G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	p. 67

Ethics and integrity

G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	p. 67

GRI G4 Specific Standard Disclosures		
Economic		
	Economic performance	
G4-EC1	Direct economic value generated and distributed	p. 82
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	pp. 50; 51
Environment		
	Energy	
G4-EN3	Energy consumption within the organisation	p. 71
G4-EN5	Energy intensity	p. 71
G4-EN6	Reduction of energy consumption	pp. 51; 52
CRE1	BUILDING ENERGY INTENSITY	
	Water	
G4-EN8	Total water withdrawal by source	pp. 52; 71
G4-EN10	Percentage and total volume of water recycled and reused	pp. 53; 71
CRE2	BUILDING WATER INTENSITY	
	Emissions	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	p. 71
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	p. 71
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	p. 71
G4-EN18	Greenhouse gas (GHG) emissions intensity	pp. 54; 71
G4-EN19	Reduction of greenhouse gas (GHG) emissions	pp. 53; 54
G4-EN20	Emissions of ozone-depleting substances (ODS)	p. 54
CRE 3	GREENHOUSE GAS EMISSIONS INTENSITY FROM BUILDINGS	
	Effluents and waste	
G4-EN23	Total weight of waste by type and disposal method	pp. 53; 71
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and run-off	p. 55
Social – Labour practices and decent work		
	Employment	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	p. 72
	Occupational health and safety	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	pp. 56; 72
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	p. 72
G4-LA8	Health and safety topics covered in formal agreements with trade unions	pp. 56; 57
	Training and education	
G4-LA9	Average hours of training per year per employee by gender, and by employee category	p. 56
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p. 56
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	p. 56
	Diversity and equal opportunity	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	pp. 11; 56
	Supplier assessment for labour practices	
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	p. 58
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	p. 42

Social – Human rights		
	Freedom of association and collective bargaining	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	pp. 67; 68
	Child labour	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	pp. 67; 68
	Forced or compulsory labour	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	pp. 67; 68
	Assessment	
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	pp. 67; 68
Social – Society		
	Anti-corruption	
G4-SO4	Communication and training on anti-corruption policies and procedures	pp. 67; 68
G4-SO5	Confirmed incidents of corruption and actions taken	pp. 67; 68
	Supplier assessment for impacts on society	
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	pp. 67; 68
Social – Product responsibility		
	Customer health and safety	
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	pp. 54; 55
	Product and service labelling	
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	pp. 48; 49
G4-PR5	Results of surveys measuring customer satisfaction	p. 46
CRE 8	TYPE AND NUMBER OF SUSTAINABILITY CERTIFICATION, RATING AND LABELLING SCHEMES FOR NEW CONSTRUCTION, MANAGEMENT, OCCUPATION AND REDEVELOPMENT	p. 48

5.7. Statutory Auditors' Report

Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated social, environmental and societal information published in the Management Report for the year ended 31 December 2015

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditor of Société Foncière Lyonnaise, and appointed as independent third party, for whom the certification request has been approved by the French National Accreditation Body (COFRAC) under the number 3-1048[(1)], we hereby present you with our report on the consolidated social, environmental and societal information prepared for the year ended 31 December 2015 (hereinafter the "CSR Information"), presented in the Management Report pursuant to Article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

The Board of Directors of Société Foncière Lyonnaise is responsible for preparing a Management Report including CSR Information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocols and guidelines used by Société Foncière Lyonnaise (hereinafter the "Reporting Guidelines"), which are available for consultation at the headquarters of the Company and for which a summary is presented in the Management Report.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L.822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional auditing standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditor

Based on our work, our responsibility is:

– To attest that the required CSR Information is presented in the Management Report or, in the event of omission, is explained pursuant to the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of CSR information).

– To express limited assurance on the fact that, taken as a whole, CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Guidelines (Formed opinion on the fair presentation of CSR Information).

Our work was carried out by a team of four people between February and March 2016. To assist us in conducting our work, we referred to our corporate social responsibility experts.

We conducted the following procedures in accordance with professional auditing standards applicable in France, with the order of 13 May 2013 determining the methodology according to which the independent third party entity conducts its assignment and, concerning the formed opinion on the fair presentation of CSR Information, with the international standard ISAE 3000.

1. Statement of completeness of CSR Information

Nature and scope of procedures

Based on interviews with management, we familiarised ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the Company's business and its societal commitments and, where appropriate, any resulting actions or programmes.

We compared the CSR Information presented in the Management Report with the list set forth in Article R.225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we verified that explanations were provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, i.e., the Company and its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L.233-3 of the French Commercial Code, subject to the limitations presented in the methodological note presented in the "Reporting scope and procedures" paragraph in part 6 of the Management Report.

Conclusion

Based on these procedures and considering the limitations mentioned above, we attest that the required CSR Information is presented in the Management Report.

(1) Whose scope may be found on www.cofrac.fr

2. Formed opinion on the fair presentation of CSR Information

Nature and scope of procedures

We conducted interviews with five people responsible for preparing the CSR Information in the departments in charge of the data collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to:

– Assess the suitability of the Reporting Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, when relevant, the sector's best practices.
– Verify that a data collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the Company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR Information that we have considered to be most important[(2)]:

– For the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the Management Report.
– For a representative sample of sites and entities[(3)] that we have selected according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and performed substantive tests using sampling techniques, consisting in verifying the calculations made and reconciling the data with supporting evidence. The selected sample represented all of the employees and 37% of the surface area of buildings reporting the presented quantitative environmental information.

Regarding the other CSR information, we have assessed its consistency in relation to our understanding of the Group.

Lastly, we assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgement enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Information cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Guidelines.

Neuilly-sur-Seine, 21 March 2016
French original signed by one of the Statutory Auditors,

Deloitte & Associés

Christophe Postel-Vinay
Partner

Julien Rivals
Partner, Sustainable Services

(2) Please refer to Appendix 1.
(3) Please refer to Appendix 2.

Appendix 1: Selected CSR information

Important labour and employment data

- Total employees by type of contract (fixed-term/permanent), gender, age group and location
- New hires by type of contract, gender, category, and age group
- Number of terminations by reason
- Total number of training hours
- Number of reported and recognised lost-time occupational accidents
- Number of reported and recognised lost-time commuting accidents
- Number of working days lost as a result of workplace accidents
- Number of working days lost as a result of commuting accidents
- Accident frequency rate
- Accident severity rate

Important environmental data

- BREEAM and BREEAM In-Use certifications
- Municipal water used
- Energy used outside the organisation (power, fuel-oil, district heating and cooling systems)
- Energy use intensity
- Direct and indirect greenhouse gas emissions (Scope 1, 2 and 3)

Qualitative information reviewed at Group level

- Remuneration policy
- Gender equality
- Findings of the psychosocial risks working group
- Clean worksites
- Sustainable procurement and supplier relations
- Good-neighbour relations and communication during redevelopment works

Appendix 2: Selected units

Assets subjected to detailed tests of important environmental data

- Paul Cézanne
- Washington Plaza
- 103 Grenelle

Units selected for a review of important labour and employment information

- SFL SA and Locaparis SAS

7. Appendices

Appendix 7.1 – Board of Directors' Special Report to the Annual General Meeting of 26 April 2016 on Stock Options (prepared in accordance with Article L.225-184 of the French Commercial Code)

In compliance with Article L.225-184 of the French Commercial Code, we hereby report to shareholders on stock options granted and exercised during the year ended 31 December 2015. The last stock option plan in effect during the year expired on 12 March 2015, at the end of the options' eight-year life.

1) No stock options were granted by SFL or any related companies during the year to the Chief Executive Officer or the Managing Director in respect of directorships or corporate functions held in SFL.

2) No stock options were granted during the year to the Chief Executive Officer or the Managing Director by any companies in which SFL has a controlling interest in respect of directorships or corporate functions held in those companies.

3) No options on shares in the companies mentioned in 1) and 2) above were exercised during the year by the Chief Executive Officer or the Managing Director.

4) No stock options were granted during the year by SFL or any related companies to any employees of the Company other than the Chief Executive Officer or the Managing Director.

5) The top ten employees of the Company with the highest number of stock options other than the Chief Executive Officer or the Managing Director did not exercise any options on shares in the companies mentioned in 1) and 2) above during the year.

The Board of Directors

Appendix 7.2 – Board of Directors' Special Report to the Annual General Meeting of 26 April 2016 on Performance Share Plans (prepared in accordance with Article L.225-197-4 of the French Commercial Code)

In compliance with Article L.225-197-4-1 of the French Commercial Code, we hereby present our 2015 report to shareholders on performance shares awarded to employees and corporate officers who do not hold over 10% of the Company's capital.

At the meeting held immediately after the Annual General Meeting of 22 April 2015, the Board decided on the terms and conditions of any performance share awards to be made during the year pursuant to the ninth extraordinary resolution of the Annual General Meeting, based on the recommendation of the Remuneration and Selection Committee. On 17 June 2015, the Board of Directors decided to launch a performance share plan. It also decided on the number of shares to be awarded and drew up the list of grantees.

1. Framework for the performance share plan

1.1 Authorisation given by the Annual General Meeting of 22 April 2015

At the Annual General Meeting of 22 April 2015, the Board of Directors was given a 38-month authorisation to set up a performance share plan governed by Articles L.225-197-1 *et seq.* of the French Commercial Code. The shares may be awarded to selected employees or officers (*mandataires sociaux*) of the Company or of related entities within the meaning of Article L.225-197-2 of the French Commercial Code. The total number of shares awarded may not exceed 1% of the number of SFL shares outstanding on the Meeting date.

1.2 Adoption of the Plan rules by the Board of Directors on 22 April 2015

In line with the authorisation given by the Annual General Meeting of 22 April 2015, at its meeting on the same day the Board of Directors adopted the Performance Share Plan rules (Plan 3).

1.3 Performance share awards decided by the Board of Directors on 17 June 2015

On 17 June 2015 the Board of Directors decided to award 40,992 performance share rights under Plan 3 to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives as a long-term incentive bonus, and to other employees of the Company or of related companies or groupings within the meaning of Article L.225-197-2 of the French Commercial Code.

Of the total 40,992 rights, 24,750 were awarded to corporate officers, including 11,250 to Nicolas Reynaud, Chief Executive Officer, 9,000 to Dimitri Boulte, Managing Director, and 4,500 to Juan José Brugera Clavero, Chairman of the Board of Directors.

In line with the recommendations in the AFEP-MEDEF Code, the Chairman, the Chief Executive Officer and the Managing Director have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

2. Characteristics of the performance share plan

2.1 Purpose of the performance share awards

The main purpose of Plan 3 was to set up a profit-related long-term incentive plan for the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives that the Company is particularly interested in incentivising. It was extended to include certain categories of employees of SFL and other Group companies in order to give them a stake in the Group's development.

2.2 Vesting period and conditions, performance targets

Vesting period

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares awarded by the Board of Directors on 17 June 2015 will vest 15 business days after the publication by the last of the "Reference Companies" (see definition below) to do so, of a press release announcing its results for the third financial year following the award date (i.e., for this award, the year ending 31 December 2017).

Continuing presence within the Group

The performance shares will vest only if, at the end of a three-year period, the grantee is still an employee or officer of the Company or another Group entity, as applicable, unless the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share over the vesting period for the plan, as calculated by adding back dividends paid in each year of said period.

2.3 Lock-up period

In accordance with Article L.225-197-1 of the French Commercial Code, as in application on the adoption date of Plan 3, the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date. In addition, for performance shares awarded to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives, after the end of this statutory two-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

3. Type of shares and rights attached to the shares

The shares will be subject to all the provisions of the law and the Company's articles of association and will carry rights from the date when they vest, including rights to all dividends paid and other distributions made after said date. Grantees will be required to comply with the lock-up obligation(s) referred to above.

4. Admission to trading

If the Board of Directors decides to issue new shares (rather than choosing the option of delivering existing shares) under Plan 3, an application will be made for the shares to be admitted to trading on NYSE Euronext Paris in compartment A.

The Board of Directors

Appendix 7.3 – Five-year financial summary (parent company, in €) (prepared in accordance with Article R.225-102 of the French Commercial Code)

	2011	2012	2013	2014	2015
Financial position at the year-end					
I. Capital at 31 December					
Share capital	93,057,948	93,057,948	93,057,948	93,057,948	93,057,948
Number of ordinary shares outstanding	46,528,974	46,528,974	46,528,974	46,528,974	46,528,974
Par value	2.00	2.00	2.00	2.00	2.00
Number of potential ordinary shares to be issued:					
– On conversion of convertible bonds	–	–	–	–	–
– On exercise of warrants	–	–	–	–	–
II. Results of operations					
Net revenue	99,194,508	94,646,561	79,595,681	70,878,041	69,540,212
Profit/(loss) before tax, depreciation, amortisation and provisions	70,519,256	(9,444,008)	84,937,737	72,162,520	6,448,213
Income tax expense/(benefit)	3,752,786	2,224,773	14,110,955	(55,730)	(15,000)
Net profit/(loss)	42,547,038	(41,971,858)	44,843,906	31,476,110	(26,718,556)
Ordinary dividends[1]	65,140,564	65,140,564	97,710,845	65,140,564	48,855,423
Special distributions[1]	32,570,282	32,570,282	–	32,570,282	48,855,423
III. Per share data					
Earnings per share after tax, before depreciation, amortisation and provisions	1.43	(0.25)	1.52	1.55	0.14
Earnings/(loss) per share	0.91	(0.90)	0.96	0.68	(0.57)
Ordinary dividend per share	1.40	1.40	2.10	1.40	1.05
Special distribution per share	0.70	0.70	–	0.70	1.05
IV. Employee data					
Number of employees at year-end	71	70	66	65	64
Of which building staff	*2*	*2*	*2*	*2*	*2*
Total payroll	7,024,460	7,111,629	7,728,387	7,665,940	9,018,126
Total benefits	3,331,603	3,201,255	3,213,249	3,239,556	3,247,869

(1) Determined based on the total number of shares.

Appendix 7.4 – Financial authorisations

In accordance with Article L.225-100 of the French Commercial Code, the table below provides a summary of the currently valid authorisations to increase the capital granted to the Board of Directors by shareholders pursuant to Articles L.225-129-1 and L.225-129-2 of said Code. The table also provides information on the use of these authorisations during 2015.

Date of AGM	Authorisation or delegation of competence	Used/ unused in 2015	Duration of authorisation
22 April 2015	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.	Unused	26 months
22 April 2015	Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a public offer.	Unused	26 months
22 April 2015	Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code.	Unused	26 months
22 April 2015	Authorisation given to the Board of Directors, for issues of ordinary shares or securities with rights to shares without pre-emptive subscription rights, through a public placement or a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting.	Unused	26 months
22 April 2015	Authorisation given to the Board of Directors, for share issues with or without pre-emptive subscription rights, to increase the number of shares offered.	Unused	26 months
22 April 2015	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company.	Unused	26 months
22 April 2015	Delegation of powers to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company, other than in connection with a public exchange offer made by the Company.	Unused	26 months
22 April 2015	Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.	Unused	26 months
22 April 2015	Delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan, without pre-emptive subscription rights for existing shareholders.	Unused	26 months
24 April 2014	Authorisation given to the Board of Directors to grant stock options to employees and corporate officers.	Unused	38 months
22 April 2015(1)	Authorisation given to the Board of Directors to grant performance shares to eligible employees and corporate officers of SFL and/or its subsidiaries, with waiver of shareholders' pre-emptive subscription rights(1).	Used	38 months (expired on 13 Nov. 2015)
13 November 2015(2)	Authorisation given to the Board of Directors to grant performance shares to eligible employees and corporate officers of SFL and/or its subsidiaries, with waiver of shareholders' pre-emptive subscription rights (supersedes the above authorisation given by the Annual General Meeting of 22 April 2015).	Unused	38 months

(1) Authorisation used by the Board of Directors on 17 June 2015 (see Appendix 7.2).

(2) The authorisation given by the General Meeting of 13 November 2015 has not been used by the Board.

Appendix 7.5 – Chairman's Report on Corporate Governance and Internal Control (prepared in accordance with Article L.225-37 of the French Commercial Code)

In accordance with Article L.225-37 of the French Commercial Code, we present below our report on the membership of the Board of Directors and the Board's application of the principle of gender balance, the practices of the Board of Directors and the Company's internal control and risk management procedures. It also describes the restrictions on the powers of the Chief Executive Officer imposed by the Board of Directors.

This report covers the period from 1 January to 31 December 2015 and was prepared following discussions between the Internal Audit Department and the Audit Committee.

It was approved by the Audit Committee on 2 March 2016 and by the Board of Directors on 3 March 2016.

1. Corporate governance

1.1 Reference to the AFEP-MEDEF Corporate Governance Code

In matters of corporate governance, the Company refers to the AFEP-MEDEF Corporate Governance Code for listed companies, as revised in November 2015 ("the AFEP-MEDEF Code").

It may be downloaded from the AFEP website (www.afep.com).

The factors that could have an impact in the event of a public tender offer for the Company's shares are described in section 5.5 of the Management Report.

Standard & Poor's has assigned the Company a BBB/A2 credit rating, with a stable outlook. On 2 July 2015, Standard & Poor's announced that it was upgrading the Company's long- and short-term ratings from BBB-/A3 with stable outlook to BBB/A2 with a stable outlook.

The following table summarises the provisions of the AFEP-MEDEF Code with which the Company is not in full compliance.

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2015	Rationale
Proportion of independent directors on the Board	At least one-third of directors on the boards of controlled companies should be independent (Art. 9.2)	Three of the sixteen directors are independent, representing 19%	Board membership reflects the direct involvement of the majority shareholder and the minority shareholders in its deliberations. Although it controls the Company, Colonial proposed candidates for only eight of the 16 seats on the Board, with five other candidates put forward by the four main minority shareholders. The Board considers that an increase in the number of members would adversely affect its efficiency.
Independence criteria applied to directors Period served on the Board	To be qualified as independent, a director should not have served on the Board for more than 12 years (Art. 9.4)	Two directors who have served on the Board for more than 12 years (Jacques Calvet and Anthony Wyand) are considered by the Board as independent	When reviewing the situation of Jacques Calvet and Anthony Wyand, the Board considered that the fact that they had served on the Board for more than 12 years did not compromise their ability to freely exercise their judgement, due to the absence of any financial or business ties with the Company and their personal moral authority. The Board considers that professional experience and an objective perspective on the Company's business represent a key criterion for determining a director's independence.
Proportion of independent directors on the Audit Committee	At least two-thirds of the Audit Committee members should be independent (Art. 16.1)	One of the three members is independent	Membership of the Audit Committee reflects the composition of the Board, which comprises only three independent directors, and of the Remuneration and Selection Committee, which has two independent members. If an additional independent member were to be appointed to the Audit Committee, it would be necessary to appoint at least one independent member to the Remuneration and Selection Committee as well. This is not considered desirable in view of the considerable work involved in preparing each Committee meeting. The Board is keeping the issue of the committees' membership under review, taking into account the Company's specific features.

Ownership of company shares by directors	A director should be a shareholder personally and hold a fairly significant number of shares in relation to the directors' fees; if he or she does not hold these shares when assuming office, he or she should use his or her directors' fees to acquire them (Art. 20)	Some directors only own 25 shares, representing the minimum number required by the Company's Articles of Association	In view of the relatively limited fees paid to directors compared with those paid by comparable companies, the Board considers that it would not be appropriate to require them to hold a significant number of shares. In addition, apart from the independent directors, all Board members were put forward as candidates by significant shareholders of the Company.
Directors' fees	Directors' fees should comprise a significant variable portion that takes into account each director's attendance rate at board meetings and meetings of board committees (Art. 21.1)	A flat fee is awarded to each director without regard to his or her attendance rate	As this fee is relatively low compared with that paid by comparable companies, the Board considers that it would not be appropriate to link all or part of it to attendance at meetings.
Time available for reviewing the accounts	The time available to the Audit Committee for reviewing the accounts should be no less than two days before review by the Board	The Board reviews the accounts the day after their review by the Audit Committee	As most directors are resident outside France, Audit Committee meetings are held the day before the meeting of the full Board. However, the Audit Committee meeting file is sent out at the same time as the file for the Board meeting, seven days in advance, giving the members plenty of time to review the accounts before the Audit Committee meets.

1.2. Members of the Board of Directors and the Management Committee at 31 December 2015

Article 15 of the Articles of Association (version dated 22 April 2015) states that the Board of Directors shall have between three and 16 members.

As of 31 December 2015, the Board of Directors had 16 members, as follows:

– Eight members representing the majority shareholder, Colonial:
  • Juan José Brugera Clavero
  • Angels Arderiu Ibars
  • Carlos Fernandez-Lerga Garralda
  • Carmina Ganyet i Cirera
  • Carlos Krohmer
  • Luis Maluquer Trepat
  • Nuria Oferil Coll
  • Pere Viñolas Serra

– Two members representing Predica:
  • Chantal du Rivau
  • Jean-Jacques Duchamp

– Two members representing Qatar Holding and DIC Holding (acting in concert):
  • Sheikh Ali Bin Jassim Al Thani
  • Adnane Mousannif

– Reig Capital Group Luxembourg, represented by Carlos Enseñat Reig

– Three independent directors:
  • Anne-Marie de Chalambert
  • Jacques Calvet
  • Anthony Wyand

As of 31 December 2015, five of the 16 Board members were women, following the election to the Board of one woman and two men at the General Meeting of 13 November 2015. At 31.25%, the proportion of women on the Board was in line with French Act 2011-103 of 27 January 2011 concerning gender balance on corporate boards and gender equality in the workplace.

Since 2 March 2016, Reig Capital Group Luxembourg SARL has been represented by Maria Reig Moles, raising to six the number of women on the Board.

Directors are elected for three-year terms, except for candidates who are aged 70 or over on the date of their election or re-election, whose term is limited to one year. The number of directors over 70 may not represent more than one-third of the serving members of the Board.

At the Annual General Meeting of 22 April 2015, shareholders decided to amend Article 18 of the Articles of Association as follows (13th extraordinary resolution): "The Chairman is required to step down at the close of the Annual General Meeting called to approve the financial statements for the year of his 75th birthday" (versus his 70th birthday previously).

At the Annual General Meeting called to approve the financial statements for the year ended 31 December 2015, shareholders will be asked to re-elect Anne-Marie de Chalambert and Anthony Wyand for a one-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending 31 December 2016.

During the same meeting, shareholders will also be asked to re-elect Chantal du Rivau, Juan José Brugera Clavero, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda, Pere

Viñolas Serra and Reig Capital Group Luxembourg SARL for a three-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending 31 December 2018.

Jacques Calvet, whose term of office also expires at the close of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2015, has informed the Board that he does not intend to stand for re-election. The Board has decided not to propose filling the seat left vacant by his retirement.

The Board of Directors does not include any director representing employees, as the number of employees of the Company and its subsidiaries is below the thresholds set in Article L.225-27-1 of the French Commercial Code.

In accordance with Article L.2323-62 of the French Labour Code, two members of the Works Council attend meetings of the Board of Directors with a consultative vote.

1.3 Separation of the positions of Chairman and Chief Executive Officer decided on 27 January 2015

On 27 January 2015, on the recommendation of the Remuneration and Selection Committee, the Board decided to separate the positions of Chairman and Chief Executive Officer and to appoint Nicolas Reynaud as Chief Executive Officer and Dimitri Boulte as Managing Director.

Juan José Brugera Clavero, who had served as Chairman and Chief Executive Officer on a *pro tempore* basis since 23 July 2014, pending the appointment of a new Chief Executive Officer, continues to serve as Chairman of the Board of Directors. The Board has not assigned him any specific tasks other than the duties and responsibilities incumbent on a chairman of the board of directors under French law.

1.4 Independent directors

According to the AFEP-MEDEF Code, a director is independent of the corporation's management when he or she has no relationship of any kind whatsoever with the Company, its Group or its Management which might risk colouring his or her judgement. Consequently, an independent director is to be understood not only as a "non-executive director", i.e., one not performing management duties in the Company or its Group, but also one devoid of particular bonds of interest (significant shareholder, employee, other) with them.

The AFEP-MEDEF Code lists the criteria that should be applied to determine whether a director is independent and to prevent conflicts of interest between the director, on the one hand, and Management, the Company or the Group on the other. In particular:
– The director is not an employee or corporate officer (*dirigeant mandataire social*) of the Company, nor an employee or director of its parent or of one of its consolidated subsidiaries, and has not been one during the previous five years.
– The director is not a corporate officer (*dirigeant mandataire social*) of a company in which the Company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the Company designated as such or by a current or former (going back five years) corporate officer of the Company.
– The director is not a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group represents a material proportion of the entity's activity.
– The director does not have any close family ties with a corporate officer (*mandataire social*) of the Company.
– The director has not been an auditor of the Company over the past five years.
– The director has not been a director of the Company for more than 12 years.
– The director is not a significant shareholder of the Company (defined as more than a 10% interest).

The Board of Directors applies all of the above criteria except the one stipulating that the director should not have served on the board for more than 12 years, which is not applied to Jacques Calvet and Anthony Wyand.

The Board considers that professional experience and an objective perspective on the Company's business represent a key criterion for determining a director's independence. In particular, in the case of Jacques Calvet and Anthony Wyand, the Board considers that the fact that they have served on the Board for more than 12 years does not compromise their ability to freely exercise their judgement, due to the absence of any financial or business ties with the Company and their personal moral authority.

Based on the above criteria, the Board of Directors considers that three directors qualify as independent:
– Anne-Marie de Chalambert
– Jacques Calvet
– Anthony Wyand

None of these directors have any business ties with the Company.

1.5 Members of the Board of Directors, directorships and other positions held at 31 December 2015, experience and expertise, number of shares held

Juan José Brugera Clavero

Position:	Other positions held in the Company:
– Chairman of the Board of Directors (and Chief Executive Officer until 27 January 2015)	– Chairman of the Executive and Strategy Committee – Member of the Remuneration and Selection Committee *(until 11 February 2015)*

Age	69	Business address:	Avenida Diagonal 532, 08006 Barcelona Spain
Nationality	Spanish		
First elected	2004		
Re-elected	2008		
Current term expires	2016		
Number of SFL shares held	3,775		
Attendance rate at Board meetings	100%		
Attendance rate at Remuneration and Selection Committee meetings	100%		
Attendance rate at Executive and Strategy Committee meetings	No meetings held in 2015		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Director and Chairman: • Inmobiliaria Colonial (SA) (listed company)	Spain: – Chairman: • Panrico

Sheikh Ali Bin Jassim Al Thani

Position:	Other positions held in the Company:
– Director *(since 13 November 2015)*	–

Age	56	Business address:	Ooredoo Tower, Diplomatic Dist. St. West Bay Doha (Qatar)
Nationality	Qatari		
First elected	2015		
Current term expires	2018		
Number of SFL shares held	25		
Attendance rate at Board meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Outside France: – Chairman: • Qatar Abu Dhabi Investment Company (QADIC) – Vice Chairman: • United Arab Shipping Company (UASC), Dubai UAE • Housing Bank for Trade and Finance (HBTF) (listed company)	–

Angels Arderiu Ibars			
Position: – Director		Other positions held in the Company: –	
Age	49	Business address:	Avenida Diagonal 532, 08006 Barcelona Spain
Nationality	Spanish		
First elected	2014		
Current term expires	2018		
Number of SFL shares held	25		
Attendance rate at Board meetings	89%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Chief Financial Officer • Inmobiliaria Colonial (SA) (listed company)	–

Jacques Calvet			
Position: – Director		Other positions held in the Company: – Member of the Committee of Independent Directors – Member of the Audit Committee	
Age	84	Business address:	42 rue Washington, 75008 Paris France
Nationality	French		
First elected	1999		
Re-elected	2008		
Current term expires	2016		
Number of SFL shares held	1,000		
Attendance rate at Board meetings	78%		
Attendance rate at Audit Committee meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
France: – Director • Groupe Lac (SARL) *(until its transformation into a closely held company on 25 September 2015)* • Le Meilleur Holding (SAS) – Vice Chairman and Member of the Supervisory Board: Société Anonyme des Galeries Lafayette (listed company) – Chairman of the Supervisory Board: • Bazar de l'Hôtel de Ville – BHV (SASU) – Honorary Chairman: • BNP Paribas (SA) (listed company) – Advisor: • Banque de France – Honorary Advisor: • Cour des Comptes (French Court of Auditors)	France: – Director: • Aldeta • Icade • Laser Cofinoga (SA) • Laser (SA) – Non-voting director: • EPI (Société Européenne de Participations Industrielles) • Agence H (ex Scher Lafarge)

Anne-Marie de Chalambert			
Position: – Director		Other positions held in the Company: – Member of the Committee of Independent Directors – Member of the Remuneration and Selection Committee *(since 11 February 2015)*	
Age	72	Business address:	42 rue Washington, 75008 Paris France
Nationality	French		
First elected	2010		
Current term expires	2016		
Number of SFL shares held	25		
Attendance rate at Board meetings	89%		
Attendance rate at Remuneration and Selection Committee meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
France – Director: • Nexity (SA) (listed company) • Mercialys (SA) (listed company) – Chairman: • AMCH (SASU) – Member of the Investment Committee: • Institut Pasteur	– Director then Vice Chairman: • FSIF (Fédération Française des Sociétés Immobilières et Foncières)

Jean-Jacques Duchamp			
Position: – Director		Other positions held in the Company – Member of the Executive and Strategy Committee – Member of the Audit Committee	
Age	61	Business address:	16 boulevard de Vaugirard 75015 Paris France
Nationality	French		
First elected	2004		
Current term expires	2016		
Number of SFL shares held	25		
Attendance rate at Board meetings	33%		
Attendance rate at Audit Committee meetings	50%		
Attendance rate at Executive and Strategy Committee meetings	No meetings held in 2015		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
France – Director: • CPR – Asset Management (SA) • Pacifica (SA) • Spirica (SA) • Générale de Santé (SA) (listed company) – Permanent representative of Predica, Director: • Gecina (SA) (listed company) • Sanef (SA) – Deputy Managing Director: • Crédit Agricole Assurances (SA) Italy – Director: • CA Vita (SA)	– Director: • Unimo • Foncière des Régions • Bes Vida (Portugal) • Crédit Agricole Immobilier – Member of the Supervisory Board/Director: • Korian-Medica – Permanent representative of Crédit Agricole Assurances, Director: • Dolcea Vie

Chantal du Rivau			
Position: – Director		Other positions held in the Company: –	
Age	60	Business address:	16 boulevard de Vaugirard 75015 Paris France
Nationality	French		
First elected	2014		
Current term expires	2016		
Number of SFL shares held	30		
Attendance rate at Board meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
France – Chief Executive Officer: • B Immobilier (SA) • Iris Holding France (SAS) – Chairman of the Board of Directors and director: • OPCI Predica Habitation* – Chairman of the Board of Directors: • OPCI River Ouest* *(until 17 April 2015)* • OPCI Predica Bureaux* – Director: • Alta Blue (SAS) • B2 Hotel Invest* • Camp Invest* • Iris Invest 2010* • OPCI CAA Kart* • Urbis Park (SA) – Permanent representative of IMEFA Quatre, Director: • OPCI CAA Commerces 2* • OPCI Messidor* – Chairman: • CAA Kart 1 (SASU) • CAA Kart 2 (SASU) – Permanent representative of Predica, Member of the Supervisory Board: • Patrimoine & Commerce (SCA) • Fonds de Logement Intermédiaire – Member of the Supervisory Board: • Unipierre Assurance** – Legal Manager: • Diapre Un (SARL)	–

* French mutual fund primarily invested in real estate (SPPICAV).

** French real estate investment trust (SCPI).

Carlos Fernandez-Lerga Garralda			
Position: – Director		Other positions held in the Company: – Chairman of the Audit Committee	
Age	66	Business address:	Monte Esquinza, 14-7°D 28010 Madrid Spain
Nationality	Spanish		
First elected	2008		
Current term expires	2016		
Number of SFL shares held	50		
Attendance rate at Board meetings	100%		
Attendance rate at Audit Committee meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Director: • Inmobiliaria Colonial (SA) (listed company) • EUR – Consultores SL – Director and Chairman of the Board: • Iberdrola Ingenieria y Construcción (SA)	Spain: – Director: • Gamesa Corporación Tecnológica

Carmina Ganyet i Cirera			
Position: – Director		Other positions held in the Company: – Member of the Executive and Strategy Committee	
Age	47	Business address:	Avenida Diagonal 532 08006 Barcelona Spain
Nationality	Spanish		
First elected	2009		
Current term expires	2017		
Number of SFL shares held	30		
Attendance rate at Board meetings	78%		
Attendance rate at Executive and Strategy Committee meetings	No meetings held in 2015		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Chief Executive Officer – Corporate Division: • Inmobiliaria Colonial (SA) (listed company) – Member of the Board of Directors, Chairman of the Remuneration and Nominations Committee, Member of the Executive Committee: • ICF (Catalan Finance Institute)	– Director: • SIIC de Paris

Carlos Krohmer			
Position: – Director		Other positions held in the Company: –	
Age	44	Business address:	Avenida Diagonal 532 08006 Barcelona Spain
Nationality	German		
First elected	2014		
Current term expires	2017		
Number of SFL shares held	30		
Attendance rate at Board meetings	89%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Executive Vice President, Corporate Development, Budget Control and Investor Relations: • Inmobiliaria Colonial (SA) (listed company)	–

Luis Maluquer Trepat			
Position: – Director		Other positions held in the Company: –	
Age	60	Business address:	Rambla de Catalunya 123 6ª Planta 08036 Barcelona Spain
Nationality	Spanish		
First elected	2010		
Current term expires	2017		
Number of SFL shares held	400		
Attendance rate at Board meetings	89%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Director: • Inmobiliaria Colonial (SA) (listed company) • Maluquer Advocats (SCP) • Filux (SA) • Vitek (SA) • M&M Entertainment (SL) • Pineapple Tree (SL) • Praeverto (SLP) – Chairman: • Camara Argentina de Comercio en España	Spain: – Chairman of the Board of Directors: • Balaguer 98 de Inversiones mutual fund • Inver 99 mutual fund – Chairman of the Board of Directors: • Aldesago • Fortunella

Adnane Mousannif			
Position: – Director *(since 13 November 2015)*		Other positions held in the Company: –	
Age	35	Business address:	Qtel Tower, 5th Floor 23224 Doha (Qatar)
Nationality	French and Moroccan		
First elected	2015		
Current term expires	2018		
Number of SFL shares held	25		
Attendance rate at Board meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
–	–

Nuria Oferil Coll			
Position: – Director *(since 13 November 2015)*		Other positions held in the Company: –	
Age	41	Business address:	Avenida Diagonal 532, 08006 Barcelona Spain
Nationality	Spanish		
First elected	2015		
Current term expires	2018		
Number of SFL shares held	25		
Attendance rate at Board meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Director, Legal Counsel responsible for compliance with standards: • Inmobiliaria Colonial (SA) (listed company)	–

Pere Viñolas Serra			
Position: – Director – Vice Chairman *(since 11 February 2015)*		Other positions held in the Company: – Member of the Remuneration and Selection Committee *(Chairman until 11 February 2015)* – Member of the Executive and Strategy Committee	
Age	53	Business address:	Avenida Diagonal 532 08006 Barcelona Spain
Nationality	Spanish		
First elected	2008		
Current term expires	2016		
Number of SFL shares held	5,325		
Attendance rate at Board meetings	89%		
Attendance rate at Remuneration and Selection Committee meetings	100%		
Attendance rate at Executive and Strategy Committee meetings	No meetings held in 2015		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
Spain: – Chief Executive Officer: • Inmobiliaria Colonial (SA) (listed company) – Director: • Electro-Stocks SL • Bluespace	– Director: • SIIC de Paris • Mecanobuto (Spain) • Riva y Garcia

Anthony Wyand			
Position: – Director		Other positions held in the Company: – Member of the Committee of Independent Directors – Member then Chairman *(from 11 February 2015)* of the Remuneration and Selection Committee	
Age	72	Business address:	42 rue Washington, 75008 Paris France
Nationality	British		
First elected	1995		
Current term expires	2016		
Number of SFL shares held	100		
Attendance rate at Board meetings	67%		
Attendance rate at Remuneration and Selection Committee meetings	100%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
France – Director: • Aviva France *(until 25 June 2015)* • Aviva Participations *(until 25 June 2015)* • Société Générale *(until 19 May 2015)* Italy – Director • Unicredito	–

Reig Capital Group			
Position: – Director *(represented by Carlos Enseñat Reig)*		Other positions held in the Company: –	
Age	31	Business address:	Plaça Rebés 9 AD500 Andorra la Vella Andorra
Nationality	Andorran		
First elected	2007		
Current term expires	2016		
Number of SFL shares held	2,038,955		
Attendance rate at Board meetings	33%		

Other directorships and positions held at 31 December 2015	Other directorships and positions held in the past five years
France – Chairman: • Loris Azzaro (SAS) Spain: – Director: • Reig Capital Back Office SL • Birtok SL • Erginedom SL • Joyeria Vasari Madrid SL • Polizar XXI SL • Scalby SL • Trivalor SL • Venusaur SL • Zigrino SL – Representative of Zigrino SL, Director: • Ambric Innovacions SL Andorra: – Director: • Any de la Part SLU • Everest Management SLU • Fills de Julia Reig SL Puerto Rico: – Director: • Reig Capital Inc. • Inmobiliaria Isla Nena • RC Puerto Rico Inc. • Reig Aviation Inc. • The Vieques Hotel Corporation • Vieques Hotel Partners	Spain: – Director: • Prettydress SL • Reig Capital Servicios y Gestion SL • Reig Capital Group Luxury and Retail SL Luxembourg: – Director: • Reig Capital Hotel & Resorts SARL

Experience and expertise represented on the Board of Directors at 31 December 2015

Juan José Brugera Clavero studied industrial engineering at the EUITI Terrassa engineering school and earned an MBA from the ESADE business school. He began his career in 1967 as a lecturer at the Terrassa and La Salle engineering schools, before joining Inter Grundig as an engineer in 1968. He moved to Banco Atlantico in 1971, where he worked in sales and logistics until 1975. He also taught economics (1972-1975) and bank management (1975-1988) at the ESADE business school, and was appointed honorary Vice Chairman of the school's Foundation in 1989 and Chairman in 1999, a position he held until 2005. From 1975 to 1987, he held various positions at Banco Sabadell. He joined Sindibank as Chief Executive Officer in 1987 and served in the same position at Colonial from 1994 to 2006 and at Mutua Madrilena from 2006 to 2007. He was also a director at SFL from 2004 to 2006 and Chairman of Panrico from 2007 to 2010. He has been Chairman of Colonial since 2008. He is also President of Ramon Llull University (Barcelona) and holds an honorary doctorate from the University of Rhode Island (United States).

Sheikh Ali Bin Jassim Al Thani is a Qatari national. He was elected to the SFL Board at the General Meeting of 13 November 2015. He has spent over 30 years working for the Qatari government, primarily in the areas of commerce, finance and real estate. Since 1995, he has been Vice Chairman of the Housing Bank for Trade and Finance, a listed company and Jordan's second largest bank. He has also served as Vice Chairman of United Arab Shipping Company, based in Dubai (UAE) since 2003. Since 2012, he has been Chairman of Qatar Abu Dhabi Investment Company (QADIC), which specialises in investing in real estate and private equity.

Angels Arderiu Ibars holds a degree in business science from the University of Barcelona**.** She is a graduate of the ESADE business school in Spain, where she studied financial audit and earned a Master's degree in Finance. She has been Chief Financial Officer and a member of the Executive Committee of Colonial since January 2009. After spending the first nine years of her career with an audit firm, she joined Inmobiliaria Colonial in March 1999 as Chief Accountant, before becoming Chief Financial Officer in January 2009.

Jacques Calvet is an independent director of SFL. He began his career as an auditor with France's Court of Auditors (1957-1959), before joining the ministerial office of Valery Giscard d'Estaing, then Secretary of Finance, first as project leader (1959-1962), then technical advisor and lastly Deputy Chief of Staff (1962-1966). At the same time, he worked in the central office of the Ministry of Finance, first as Vice-Director (1964) then as Department Head (1967). In 1969 he joined the ministerial office of Valery Giscard d'Estaing, Minister of the Economy and Finances, first as Deputy Chief of Staff (1969) then Chief of Staff (1970-1974) and, lastly, as Finance Director (1973). He joined BNP in 1974 as Deputy Managing Director, becoming Managing Director in 1976 and then Chairman from 1979 to 1982. He has been an Honorary Chairman of BNP Paribas since 1997. He also held various senior management positions in the PSA Peugeot Citroën Group, including Chairman of Peugeot SA (1982-1984), Chairman of the Managing Board of Peugeot SA (1984-1997), Chairman of Automobiles Peugeot (1990-1997) and Chairman of Automobiles Citroën (1983-1997).

Jean-Jacques Duchamp began his career in 1979 as an engineer. After working on various hydraulic engineering projects, he joined the World Bank, where he was involved in arranging international project financing. He moved to Crédit Agricole as Inspector General in 1985, before becoming a member of the Bank's Finance Department in 1991. He was appointed Chief Financial Officer of Predica in 2001 and has been a member of the Predica Executive Committee since 2004.

Anne-Marie de Chalambert is an independent director of SFL. She was Marketing Director of Valois (1970-1980); founder, Chairman & Chief Executive Officer of VLGI, a subsidiary of Banque Lazard (1980-1996); Chairman & Chief Executive Officer of Generali Immobilier (1996-2004), where she shifted the focus of the Generali France portfolio from residential to office property located primarily in Paris and the Paris region; Chairman of Generali Real Estate Europe (2004-2008), where she consolidated Generali's various property management teams in Europe and invested in joint transactions; and Chairman of Generali Immobiliare (2009-2010). Since 2010, she has been acting as an advisor to Institut Pasteur. She is also a member of the Board of Directors of Nexity.

Chantal du Rivau studied law before starting her career as a real estate investment manager, first at Groupe des Populaires d'Assurances (GPA) and then at the La France insurance company and Groupe Mornay (Klésia). In 1990, she joined Predica to deploy processes to manage the company's growing real estate portfolio. In 1998, she also took charge of Predica's operating real estate assets. In 2009, she joined Crédit Agricole Assurances to manage the real estate portfolio of all its subsidiaries. She is chairman of several OPCI real estate funds and director of various real estate investment vehicles.

Carlos Fernandez-Lerga Garralda is a lawyer specialised in civil and corporate law. He began his career as Advisor to the Spanish Minister and Secretary of State in charge of relations with the European Union (1978-1983) before joining Grupo Banco Hispano Americano as Chief Executive Officer of the bank's Asesoramiento Comunitario SA subsidiary. He is a member of the Board of Directors of Colonial and several other companies. A former professor at Madrid University, he has written several books on competition law and intellectual property law.

Carmina Ganyet i Cirera, an economist by training, started her career at Caixa de Catalunya and later joined Arthur Andersen as an auditor (1991-1995). She moved on to work for Caixa's industrial holding company (now Criteria) as head of Budget Control within the Finance, Insurance and Property department, a position that led her to participate in the Inmobiliaria Colonial IPO process. In 2000, she was appointed Chief Financial Officer of Inmobiliaria Colonial, before becoming Corporate Managing Director in January 2009. She has been a member of the Board of the Circulo de Economia economic think tank and is a former professor at Ramon Llull University.

Carlos Krohmer is a graduate of the Mannheim Business School (Germany). He studied at the University of Barcelona (Spain) and the University of Swansea (Wales) under the Multiregional International Business Programme (MIBP) and also attended the IESE graduate school and Harvard Business School. He has been a member of the Colonial Management Committee since January 2009, as Director of Corporate Development, Budget Control and Investor Relations. Mr Krohmer began his career with the Unilever Group in Hamburg, where he held a variety of management positions in the Budget Control and Finance departments. In 1999, he was appointed Head of Management Control at Unilever Bestfoods in Germany. In 2001, he joined the Corporate Development department of CaixaHolding (now named Criteria CaixaHolding), a subsidiary of Grupo La Caixa, serving as Head of Real Estate Investments before becoming Senior Project Manager for Criteria's IPO. During the first half of 2008, he acted as advisor to Holret S.A., CaixaHolding's French real estate subsidiary. He moved to Colonial in January 2009. Mr Krohmer has taught corporate finance at the La Salle Business Engineering School and is a member of the EPRA (European Public Real Estate Association) Investor Relations Committee.

Luis Maluquer Trepat has degrees in law (Barcelona University) and international institutions (Geneva University). He has been a lawyer and partner of the Maluquer Advocats law firm since 1995. He headed BNP Paribas's external law firm from 1980 to 1992 and Caisse Nationale du Crédit Agricole's external law firm in Barcelona from 1992 to 1998. He has represented Spain on the Board of the European Society for Banking and Financial Law since 2000. He also lectures in taxation at the Barcelona Chamber of Commerce.

Adnane Mousannif has dual French and Moroccan nationality. He was elected to the SFL Board at the General Meeting of 13 November 2015. As an executive with the Qatari government's sovereign wealth fund, Qatar Investment Authority (QIA), in recent years he has participated in most of QIA's real estate transactions in Europe and the Americas, including acquisition of the Canary Wharf Group in London and the Virgin Megastore building on the Champs-Élysées in Paris. He was also involved in QIA's acquisition of interests in the capital of SFL and of Inmobiliaria Colonial in Spain. Prior to joining QIA, he spent several years with Morgan Stanley Real Estate Investing in Europe, buying properties for their Opportunistic and Core funds. He holds a master's degree in Entrepreneurship and Finance from ESCP Europe Business School and a diploma in civil engineering.

Nuria Oferil Coll is a Spanish national. She was elected to the SFL Board at the General Meeting of 13 November 2015. After beginning her career in 1998 as an associate in the Roca Junyent law firm in Spain, within the private, civil, commercial and financial law department, she joined the Legal Department of Inmobiliaria Colonial in 2004. Since 2010, she has been Director, Legal Counsel responsible for compliance with standards, at Inmobiliaria Colonial. She is also Vice Secretary (non-director) of the Board of Directors. She has a law degree from Barcelona University and is a practising lawyer specialised in real estate and urban planning law. She has been a member of the Barcelona Bar Association since 1999.

Pere Viñolas Serra holds an MBA from ESADE – Barcelona University. He was Deputy Chief Executive Officer of the Barcelona Stock Exchange from 1990 to 1996, Chief Executive Officer of Filo, a listed property company, from 1997 to 2001 and Partner and Chief Operating Officer of the Riva y Garcia financial group from 2001 to 2008. Since 2008, he has been Chief Executive Officer of Inmobiliaria Colonial. From 1994 until 2000 he was Chairman of the Barcelona-based Catalonian Financial Analysts Institute and Chairman of the Urban Land Institute in Spain. He serves on the Board of Directors of several companies and is a professor in the Finance Department of ESADE.

Anthony Wyand is an honorary Chairman and independent director of SFL. He has held various positions during his career, including Executive Director of Commercial Union Plc (1987-1998), Deputy Chief Executive of CGU Plc (1998-2001) and Executive Director of Aviva Plc (2001-2003). He is currently a director of Unicredito (Italy).

Reig Capital Group Luxembourg is represented by Carlos Enseñat Reig, who earned a law degree at the University of Barcelona in 2007 and graduated from the HEC business school in Paris in 2008. He is currently Subsíndic of the Parliament of Andorra and member of several legislative commissions. He is also a director of Loris Azzaro Couture in Paris and Vice Chairman of the Board of Reig Capital Group.

1.6 Changes in the membership of the Board of Directors during 2015

Director	Elected	Re-elected	End of term	Comments
Angels Arderiu Ibars	-	Re-elected at the 22 April 2015 Annual General Meeting	-	Re-elected for a three-year term expiring at the Annual General Meeting to be called in 2018 to approve the 2017 financial statements
Anne-Marie de Chalambert	-	Re-elected at the 22 April 2015 Annual General Meeting	-	Re-elected for a one-year term expiring at the Annual General Meeting to be called in 2016 to approve the 2015 financial statements
Jacques Calvet	-	Re-elected at the 22 April 2015 Annual General Meeting	-	Re-elected for a one-year term expiring at the Annual General Meeting to be called in 2016 to approve the 2015 financial statements
Nuria Oferil Coll	Elected at the 13 November 2015 General Meeting	-	-	Elected for a three-year term expiring at the Annual General Meeting to be called in 2018 to approve the 2017 financial statements
Sheikh Ali Bin Jassim Al Thani	Elected at the 13 November 2015 General Meeting	-	-	Elected for a three-year term expiring at the Annual General Meeting to be called in 2018 to approve the 2017 financial statements
Adnane Mousannif	Elected at the 13 November 2015 General Meeting	-	-	Elected for a three-year term expiring at the Annual General Meeting to be called in 2018 to approve the 2017 financial statements

These elections and re-elections had the effect of increasing the proportion of women directors to 31.25% at 31 December 2015 from 30.77% at the previous year-end, and diversifying the Board's international profile with the election of a Qatari director and a Franco-Moroccan director (see paragraph 1.2).

1.7. Board practices

1.7.1 Role of the Board of Directors

The Board of Directors has the powers and responsibilities vested in it by law.

In line with its commitment to transparency and to ensuring equitable treatment of all shareholders, particularly individual shareholders, in 1995 SFL introduced corporate governance guidelines whose purpose is to involve the Board more deeply in defining and overseeing strategies related to the Company's financial and operating performance.

In accordance with its internal rules, the Board's prior authorisation is required for all acquisitions, disposals and financial commitments in excess of €20 million.

At least twice a year, in February and July, the Chief Executive Officer informs the Board of the Company's financial position, cash position and commitments. This information is preceded by a presentation, with the participation of the external auditors, to the Audit Committee, which in turn reports to the Board on its own work.

Once a year, the Board approves the following year's budget and the five-year business plan as prepared by management.

1.7.2 Organisation and procedures of the Board of Directors

The Board's organisation and procedures are governed by the Company's Articles of Association and by the Board's own internal rules which include a director's charter.

Extracts from the Board of Directors' internal rules and ethical and corporate governance standards are presented in the Management Report (page 101).

The internal rules describe the Board's duties and practices, as well as the rights and obligations of individual directors.

1.7.3 Rights and obligations of directors and management of conflicts of interest

In addition to describing the directors' statutory rights and obligations, the director's charter included in the Board's internal rules also describes the directors' duties in such areas as trading in SFL shares, potential conflicts of interest, multiple directorships, regular attendance at Board meetings and confidentiality.

Each director and non-voting director, and each permanent representative of a corporate director, is required to hold at least 25 SFL shares registered in his or her name (in accordance with Article 17 of the Articles of Association). They are required to write to the Chairman of the Board of Directors providing full details of any and all purchases or sales of SFL shares.

In addition, they must notify the Chairman of any directorships and corporate functions held in other named companies during the year and whenever any change occurs.

Directors must act at all times in the Company's interest, attend General Meetings and treat all information received from the Board as strictly confidential.

The Board's internal rules require directors to notify the Board of any potential or actual conflicts of interests and to abstain from voting on the matters concerned.

1.7.4 Work of the Board of Directors in 2015

Article 19 of the Articles of Association stipulates that the Board of Directors shall meet as frequently as necessary in the Company's interests and at least four times a year.

At least five days before each regularly scheduled meeting, the directors are given a file on the agenda items that warrant prior analysis and consideration. Where applicable, the file includes the recommendation of the relevant Committee of the Board.

The Board of Directors met nine times in 2015, with an average attendance rate of 79.65%.

The issues covered during the meetings were as follows:

Agenda of the 27 January 2015 meeting

1. Approval of the minutes of the 14 November 2014 meeting
2. Decisions concerning the Company's executive management
3. Other business

Agenda of the 11 February 2015 meeting

1. Approval of the minutes of the 27 January 2015 meeting
2. Approval of the 2014 financial statements – Portfolio valuation – ANAV – Audit Committee report – Statutory Auditors' report
3. Dividend
4. Other business
   – Report of the Remuneration and Selection Committee
   – Changes in the membership of the Remuneration and Selection Committee

Agenda of the 3 March 2015 meeting

1. Approval of the minutes of the 11 February 2015 meeting
2. Preparation of the Annual and Extraordinary General Meeting of 22 April 2015:
   – Notice of meeting and agenda
   – Approval of the resolutions to be tabled at the Meeting
   – Approval of the reports of the Board of Directors
   – Approval of the Chairman's report on corporate governance and internal control
   – Amendments to the Articles of Association
3. Report of the Remuneration and Selection Committee
4. Other business

Agenda of the 26 March 2015 meeting

1. Update on the planned acquisition of the Percier building

Agenda of the 22 April 2015 meeting

1. Approval of the minutes of the meetings held on 3 and 26 March 2015
2. Forecasts and projections prepared in compliance with Article L.232-2 of the French Commercial Code
3. Business update
4. Self-assessment of the Board of Directors' practices
5. Long-term incentive (performance share) plan: terms and conditions of the 2015 plan
6. Other business

Agenda of the 17 June 2015 meeting

1. Approval of the minutes of the 22 April 2015 meeting
2. Bank financing
3. Long-term incentive (performance share) plan: decision to award performance shares, determination of the number of shares to be awarded and the list of grantees (Plan 3)

Agenda of the 22 July 2015 meeting

1. Approval of the minutes of the 17 June 2015 meeting
2. Approval of the 2015 interim financial statements and first-half business review – Portfolio valuation – ANAV – Audit Committee report – Statutory Auditors' review report
3. 2015-2019 Business Plan update
4. Planned acquisition of the EDF building at 22-30 avenue de Wagram, Paris 75008
5. Other business

Agenda of the 30 September 2015 meeting

1. Approval of the minutes of the 22 July 2015 meeting
2. Authorisation to issue bonds and liability management transaction
3. Investment projects:
   – 8 rue de Pentièvre
   – Paris-Bourse building
4. Preparation of the Ordinary General Meeting of 13 November 2015
   – Notice of meeting and agenda: payment of an interim dividend to be deducted from the share premium account
   – Approval of the resolutions to be tabled at the Meeting
   – Approval of the report of the Board of Directors
   – Election of three new directors
   – Performance share plan – Delegation of authority to the Board
5. Other business

Agenda of the 13 November 2015 meeting

1. Approval of the minutes of the 30 September 2015 meeting
2. 2015 forecast – 2016 budget and 2016-2020 business plan
3. Other business
   – Proposed 2016 meeting schedule

1.8 Restrictions on the powers of the Chief Executive Officer and Managing Director decided by the Board

The Chief Executive Officer and the Managing Director represent the Company in its dealings with third parties. In accordance with the law, they have the broadest powers to act in any and all circumstances in the Company's name within the limits of its corporate purpose, except for those powers expressly attributed by law to the shareholders and the Board of Directors. In accordance with Article L.225-35 of the Commercial Code and Article 21 of the Company's Articles of Association, the Board of Directors is required to authorise the issuance of all forms of guarantee.
In addition, an internal restriction applies to acquisitions, disposals and financial commitments, which must also be authorised in advance by the Board of Directors when they represent an amount in excess of €20 million.

1.9 Measures taken by the Board of Directors to assess its performance

At its meeting on 22 April 2015, the Board of Directors initiated a self-assessment process. The core aims of the self-assessment were to:
– Improve the Board's practices
– Enhance its strategic vision
– Ensure that the strategic vision is aligned with objectives
– Promote constructive dialogue among directors
– Strengthen Board cohesion
– Better define the Board's priorities
– Report to shareholders on the Board's work
– Check compliance with best practices
– Keep pace with changes affecting the Company.

The process was kicked off by distributing an anonymous Board self-assessment questionnaire to the 13 directors.

The questionnaire covered the following issues:
– Board meetings (frequency, quality of the discussions, communication of documents ahead of the meetings, determination of strategic objectives and management targets, minutes, etc.)
– Committees of the Board (membership, roles and responsibilities, value added by their work)
– Financial reporting by the Audit Committee (issues examined, reporting of comments to the Board, period between Audit Committee meetings and the corresponding Board meetings).

Seven of the 13 questionnaires were returned.

A review of responses showed that the vast majority of directors are satisfied with the Board's practices and the conduct of Board meetings.

The main recommended improvements are as follows:
– Allow more time for the directors to examine the agenda and meeting file between receipt of these documents and the meeting.
– Enable directors to regularly discuss and define the Company's strategic objectives, assess the extent to which the objectives are met through predefined indicators, and initiate any necessary corrective action.
– Ensure that the membership of the Committees of the Board better reflects the diversity of skills represented on the Board.
– Better define the roles and responsibilities of the Committees of the Board.
– Increase the value added by the Committees to the Board's performance during its meetings.

At this stage, the Board has not sought the input of any outside consultants.

1.10 Adoption of the SIIC Code of Conduct

Responding to concerns raised by the French securities regulator (AMF) about certain SIICs that are primarily run by outside managers in exchange for significant fees, the French industry federation, FSIF, stated that this was the standard operating procedure for REITs all over the world.

However, at the AMF's request, FSIF prepared a code of conduct to ensure the transparency of information about fees paid by SIICs to related parties and outside service providers.

The FSIF Board of Directors adopted the Code on 2 July 2008 and asked its members to follow suit.
SFL's Board of Directors approved the adoption of the SIIC Code of Conduct at its meeting of 25 September 2008.

1.11 Corporate governance disclosures

To the best of the Company's knowledge:
– There are no family ties between the members of the Board of Directors and the Auditors.
– No member of the Board of Directors has been found guilty of fraud in at least the past five years.
– No member of the Board of Directors has been involved in a bankruptcy, sequestration or liquidation in at least the past five years.
– No member of the Board of Directors has been charged by the statutory or regulatory authorities in at least the past five years.
– There are no potential conflicts of interest between the members of the Board and their duties to the Company. The director's charter requires directors to disclose any conflicts of interest to the Board and to abstain from voting on related topics.
– No member of the Board of Directors has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in at least the past five years.
– In accordance with the Articles of Association, each director who is a natural person, each permanent representative of a corporate director and each non-voting director must directly own at least 25 SFL shares in registered form. No other restrictions have been agreed by any member of the Company's administrative, management, or supervisory bodies or senior management concerning the disposal within a certain period of time of their SFL shares.
– There are no service contracts between members of the administrative, management or supervisory bodies and SFL or any of its subsidiaries providing for benefits upon termination of employment.

1.12 Committees of the Board

1.12.1 Rules governing the membership and procedures of the Committees of the Board

The decision to create a Committee is made by the Board of Directors. Each Committee generally has three or four members who are appointed by the Board at its discretion, based on their skills and experience. They are not necessarily directors or shareholders of the Company.

The Committees only examine issues submitted to them by the Board of Directors or the Chairman, in the areas falling within their terms of reference as decided by the Board. They act exclusively in a consultative capacity; under no circumstances may they interfere in the management of the Company or act in any way that would indirectly reduce the powers of the Chief Executive Officer or the Managing Director. The Committees report to the Board of Directors.

Their members may be appointed for the duration of their term as director (where applicable) or for a shorter period.

They may be removed by the Board or stand down at any time, without any reason having to be given.

The members of the Committees have the same obligations of allegiance and confidentiality as the directors.

The Committees report to the Board on their work after each of their meetings.

1.12.2 The Audit Committee

Members of the Audit Committee as of 31 December 2015:
Chairman: Carlos Fernandez-Lerga Garralda
Members: Jacques Calvet (independent director)
Jean-Jacques Duchamp

The Audit Committee members' experience in the areas of finance and accounting is described on pages 89, 90, 92 and 97.

In accordance with the Board of Directors' internal rules, the role of the Audit Committee is to:
– Make recommendations concerning the appointment or re-appointment of the external auditors.
– Review the financial statements to be presented to the Board.
– Assess the effectiveness of internal controls over procedures, risks and compliance with ethical standards.
– Review the audit plans of the internal and external auditors.
– Verify the independence of the external auditors.

A written report on the work of the Committee is included in the minutes of the Board meeting at which the report is presented.

The Committee's practices are assessed each year at the same time as the Board's self-assessment.

The Committee's work in 2015 concerned:
– A presentation by the external auditors of their main audit findings and of the accounting options used.
– A presentation by the Chief Financial Officer covering the Company's material off-balance sheet risks and commitments.
– The external auditor selection and re-appointment procedure.

Working methods:
– The Audit Committee meets to review the financial statements the day before the Board of Directors' review.
– The meeting files are sent to the Committee members seven days ahead of the meeting.
– The external auditors, Chief Financial Officer, Accounting Director and Cash Management Director make presentations to the Committee during the meeting and respond to members' questions.
– The heads of internal audit and risk management also present their reports and answer the Committee's questions.
– The Committee may be assisted by outside experts, if necessary or useful.

The Audit Committee met four times in 2015, with an average attendance rate of 83.33%.

The issues covered during the meetings were as follows:

Agenda of the 10 February 2015 meeting

1. Approval of the minutes of the 3 December 2014 meeting
2. Review of the 2014 financial statements
3. Other business

Agenda of the 2 March 2015 meeting

1. Approval of the minutes of the 10 February 2015 meeting
2. Chairman's report on corporate governance and internal control
3. Other business

Agenda of the 21 July 2015 meeting

1. Approval of the minutes of the 2 March 2015 meeting
2. Review of the interim financial statements
3. Other business: interim Risk Indicator Scorecard

Agenda of the 29 September 2015 meeting

1. Approval of the minutes of the 21 July 2015 meeting
2. Reports on internal audits of the following processes:
   – Internal audit engagement no. 15: Regulatory compliance – Targeted review
   – Internal audit engagement no. 14: Capex management procedure (presentation of work in progress)
3. Information system milestone review
4. Areas to be covered by the 2016 internal audit programme
5. Board of Directors' self-assessment – Proposals to improve governance

For more information about the Audit Committee's work in 2015, see section 2.3 below.

1.12.3 The Remuneration and Selection Committee

Members of the Remuneration and Selection Committee as of 31 December 2015:
Chairman: Anthony Wyand (independent director)(1)
Members: Anne-Marie de Chalambert (independent director)(2)
Pere Viñolas Serra(3)

(1) Appointed as Committee Chairman by the Board of Directors on 11 February 2015 to replace Pere Viñolas Serra.
(2) Appointed as Committee member by the Board of Directors on 11 February 2015 to replace Juan José Brugera Clavero.
(3) Committee Chairman until 11 February 2015.

In accordance with the Board of Directors' internal rules, the role of the Remuneration and Selection Committee is to:

– Make recommendations to the Board concerning the remuneration of the Chief Executive Officer and the Managing Director, directors' fees, stock option or performance share plans and specific incentive bonus plans.
– Make recommendations to the Board concerning candidates for election to the Board and senior management succession planning, particularly when a seat on the Board or a senior management position unexpectedly falls vacant or following an increase in the number of seats on the Board.

The Remuneration and Selection Committee met six times in 2015, with an attendance rate of 100%.

The issues covered during the meetings were as follows:

Agenda of the 27 January 2015 meeting

1. Opinion on the proposed appointment of Nicolas Reynaud as Chief Executive Officer
2. Consideration of the proposal to appoint Pere Viñolas Serra as Vice Chairman
3. Resignation from the Remuneration and Selection Committee of Juan José Brugera Clavero

Agenda of the 10 February 2015 meeting

1. Payment of the 2014 bonuses of the Chief Executive Officer and the Managing Director
2. 2015 remuneration of the Chief Executive Officer and the Managing Director
3. Changes in the membership of the Remuneration and Selection Committee
4. Appointment of a Vice Chairman and definition of role and responsibilities

Agenda of the 2 March 2015 meeting

1. Method for determining the 2015 bonuses of the Chief Executive Officer and the Managing Director

Agenda of the 22 April 2015 meeting

1. Performance share plan

Agenda of the 30 September 2015 meeting

1. Approval of the minutes of the 22 April 2015 meeting, the recommendations of which were approved by the Board of Directors at its meetings of 22 April 2015 (adoption of a new performance share plan for 2015 – Plan 3 – and determination of the plan's terms and conditions) and 17 June 2015 (implementation of Plan 3 and determination of the list of grantees)
2. Recommendations concerning the choice of candidates for election to the Board
3. Analysis of the criteria for determining the future bonuses of the Chief Executive Officer and the Managing Director

Agenda of the 12 November 2015 meeting

1. Approval of the minutes of the 30 September 2015 meeting
2. Analysis of the criteria for determining the future bonuses of the Chief Executive Officer and the Managing Director (continuation of the discussion initiated at the 30 September 2015 meeting)

1.12.4 The Executive and Strategy Committee

Members of the Executive and Strategy Committee as of 31 December 2015:
Chairman: Juan José Brugera Clavero
Members: Jean-Jacques Duchamp
Carmina Ganyet i Cirera
Pere Viñolas Serra

In accordance with the Board of Directors' internal rules, the role of the Executive and Strategy Committee is to:
– Assist the Board and senior management in defining SFL's strategic vision to drive business growth in the best interests of the Company and all of its shareholders.
– Help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.
– Review the Company's business plans and projections in order to assess the medium and long-term outlook.
– Review and make recommendations concerning planned transactions that require the Board's prior approval.
– Report to the Board on its activities.

The Committee did not hold any meetings in 2015.

1.12.5 The Committee of Independent Directors

Members of the Committee of Independent Directors as of 31 December 2015:
– Anne-Marie de Chalambert
– Jacques Calvet
– Anthony Wyand

The role of the Committee of Independent Directors is to make recommendations to the Board concerning any proposed transactions leading to a possible reorganisation of the Company's ownership structure.
The Committee did not hold any meetings in 2015.

1.13 Remuneration and benefits paid to corporate officers and directors

Remuneration and benefits paid to corporate officers and directors are presented in section 3.4 of the Management Report.

Concerning directors' remuneration, in 2015 the Board continued to apply the rules in force since 2009 for the allocation and payment of the directors' fees awarded by shareholders at the Annual General Meeting.

At the Annual General Meeting of 15 June 2009 (12th ordinary resolution), the aggregate amount of directors' fees to be distributed among the members of the Board of Directors for 2009 and subsequent years was set at €400,000.

Since 1 January 2009, these fees have been allocated as follows:

– Voting or non-voting director:	€18,000 per year
– Member of a Committee of the Board:	€24,000 per year
– Chairman of the Board and/or of a Committee of the Board:	€36,000 per year

The Company does not apply the recommendation in the AFEP-MEDEF Code that directors' fees should comprise a significant variable portion that takes into account each director's attendance rate at board meetings and meetings of board committees. The Board considers that the decision not to apply this recommendation is justified by the fact that the directors' fees paid by the Company are relatively low.

1.14 General Meetings (excerpts from Articles 24, 25 and 29 of the Articles of Association)

At the Annual General Meeting of 22 April 2015, shareholders approved various amendments to Article 25 of the Articles of Association (14th extraordinary resolution). These amendments were necessary to align the Articles of Association with Article R.225-85 of the French Commercial Code as amended by the decree of 8 December 2014 modifying the record date and the method of determining the list of persons eligible to participate in General Meetings.

At the same meeting, shareholders also approved an amendment to Article 29 of the Articles of Association (15th extraordinary resolution) stipulating that shares registered in the name of the same holder for two years are not entitled to double voting rights and upholding the "one share one vote" principle. This stipulation was necessary to comply with Article L.225-123-3 of the French Commercial Code.

Article 24

General Meetings are called in accordance with the applicable laws and regulations.

They are held at the Company's registered office or at the venue selected by the Board of Directors, as specified in the notice of meeting.

The Board of Directors sends or makes available to shareholders the documents required to enable them to make informed decisions about whether to vote for resolutions and an informed judgement about the management of the Company's business.

Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting. If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions.

A written question is considered as having been answered when the reply is posted on the FAQs page of the Company's website.

Article 25

I – General Meetings may be attended by all holders of fully paid up shares that have been recorded in the shareholder's account prior to the date of the meeting as follows:

– Holders of bearer shares and holders of registered shares recorded in an account not kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded in an account kept by an accredited intermediary as of the record date.

– Holders of registered shares recorded in an account kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded as of the record date.

These formalities must be completed no later than 12:00 a.m. Paris time on the second business day preceding the date of the Meeting (the record date).

Shareholders, proxy holders and accredited intermediaries are entitled to attend General Meetings on presentation of proof of their identity and eligibility to attend. The Board of Directors may provide shareholders with personal admission cards for General Meetings and, if it thinks fit, require that they be shown prior to admittance.

II – Any shareholder may, on the basis stipulated in the applicable laws and regulations, vote from a distance or give proxy to his or her spouse or civil partner or to another shareholder or to any other person or legal entity in order to be represented at General Meetings, by writing to the Company to request a distance voting/proxy form. Written requests for a distance voting/proxy form must be received at the Company's registered office at least six days before the Meeting.

If a shareholder gives proxy to a person other than his or her spouse or civil partner, the proxyholder must notify the shareholder of any situation that could give rise to a conflict of interest so that the shareholder can assess the risk of the proxyholder not voting in the shareholder's best interests.

If any such situation arises, the proxyholder must notify the shareholder without delay and the shareholder will then be required to formally confirm the proxy. Failing that, the proxy will not be valid and the proxyholder must notify the Company.

Any individuals or entities other than a shareholder's spouse or civil partner that actively solicit proxies (for example, a minority shareholder or an organisation set up to defend shareholders' interests) by offering, directly or indirectly and by any method, to represent one or several shareholders, must disclose their voting policy. Said individuals or entities may also disclose their voting intentions with regard to the resolutions tabled at the Meeting. In this case, they will be required to vote in accordance with their stated intentions for all proxies received without any voting instructions.

If a proxyholder fails to comply with any of the above obligations, the represented shareholder may ask the commercial court in the jurisdiction where the Company has its registered office to ban the proxyholder from acting in this capacity at all General Meetings of the Company for a period of up to three years. The Company may file a similar application but only if the proxyholder has breached the rules governing the active solicitation of proxies.

The distance voting/proxy form must be received by the Company at least three days before the Meeting date.

The procedure for returning these forms is specified by the Board of Directors in the notice of meeting.

Shareholders domiciled outside France may give proxy to an intermediary registered in accordance with the applicable legal conditions, provided the Company is informed of the proxy in writing at least five days before the date of the Meeting.

The Board of Directors may reduce or waive the time periods specified in this section II.

Article 29

Resolutions are adopted by the number of votes prescribed in the corresponding legislation in force on the date of the Meeting. Shareholders are entitled to one vote per share.

The Company's shares (including any shares that may be allocated in connection with a bonus share issue paid up by capitalising reserves, profits or share premiums) do not qualify for double voting rights, in line with the stipulation added to the Articles of Association by the Annual General Meeting of 22 April 2015 in compliance with Article L.225-123-3, final paragraph, of the French Commercial Code.

2. Internal control and risk management procedure

This report describes the procedures set up by the Company to prevent and control risks arising in the course of its business, in line with the Chairman's legal obligation to report to shareholders on the measures taken to guarantee (i) the reliability of accounting and financial information, (ii) compliance with all applicable laws and regulations and (iii) the security of reporting or management processes.

The Company applies all the recommendations and key processes contained in the AMF's reference framework for risk management and internal control dated 22 July 2010, and follows the guidance issued by French business organisations (MEDEF, AFEP and ANSA) and accounting authorities (CNCC).

The pillars of the internal control system are:
– A standard set of procedures
– Accountable operations, finance and audit teams
– Collective decision-making processes
– Segregation of duties between the authorisation of expenditure and the related payments.

Company organisation

The Company's internal organisation is built around three areas of expertise:
– Operations, encompassing the property, asset management, technical and marketing disciplines
– Finance, including accounting, financing, budget control and investor relations
– Support/Resources, spanning legal affairs, human resources, information systems, and internal control and audit.

This organisation is supported by clear definitions of individual roles and responsibilities and procedure reviews to clarify who does what and, in this way, more effectively manage risks.

Upgraded governance rules

In line with the recommendation of the Audit Committee, the Board of Directors decided to outsource the internal audit function to KPMG. This decision was made following a detailed consideration of internal audit issues with the Company's senior management and a comparative review of service proposals from four accounting firms with excellent references, who were all invited in to make presentations to the Audit Committee.

More specific internal audits may be performed from time to time with the support of experts other than KPMG.

The internal audits are performed based on the annual audit programme drawn up by the Audit Committee with input from the Company's management. They are overseen by the Chief Resources Officer whose responsibilities include internal control and internal audit.

This report contains:
– A general presentation of the internal control system, the people and structures responsible for its implementation, and the process for preparing financial and accounting information for shareholders.
– A presentation of internal control procedures, with details of their scope of application and the risks covered, including the specific risks inherent in the Company's business, and the Chairman's assessment of their appropriateness and effectiveness.
– A description of the procedures carried out to prepare this report.

See also section 4.3 "Risk Factors" in the Management Report, pages 24 *et seq*.

2.1 General presentation of internal control

Managers have front-line responsibility for identifying risks and implementing appropriate control measures.

Senior management ensures that the necessary organisation is in place to permit effective control and oversees managers' activities in this area with support from the Chief Resources Officer who is responsible for internal control. Senior management reports to the Audit Committee on the supervision of internal control.

2.1.1 Overall organisation

Internal control procedures over business processes are communicated to all employees concerned and updated to reflect process changes.

It was not necessary to set up specific controls to obtain assurance concerning the quality of internal control within the various consolidated entities, because all of these entities apply the same procedures and the accounting teams responsible for producing their accounts rotate periodically. Procedure manuals were updated following implementation of a new computer application.

To limit the risks of fraud, payables accounting and payment functions are strictly segregated. The Treasury Department is independent from the Accounting Department and reports directly to the Chief Financial Officer.

To improve the reliability and quality of accounting information, a separate Budget Control Department analyses management and cost accounting data and performs reconciliations between these data and the statutory accounts.

The quality of budget control data has been enhanced with the implementation of a new computer application capable of producing more and better analyses than the previous one. Separate data are now produced for each property in the portfolio. These data are aggregated and reconciled to the statutory accounting data and consolidation packages produced by the entities concerned, providing a critical means of control.

SFL is fully consolidated in the consolidated financial statements of its main shareholder and is required to produce specific monthly reporting packages for this purpose. In addition to incorporating new and frequently complementary data processing and control practices, the monthly reporting process also helps management to monitor the business more closely thanks to the increased availability of data:
– Basic reporting schedules are prepared by cash generating unit, corresponding in the case of SFL to each individual building.
– The monthly reporting schedules are reconciled to the budget, allowing management to swiftly identify variances or any inconsistencies in processing the raw data.

2.1.2 Signing authority

Signing authority is granted only for payments, with dual signatures required in all cases. A strict segregation of duties is maintained between the authorisation of expenditure and the related payments.

The list of authorised signatories is checked periodically and updated to take account of organisational changes.

2.1.3 Information systems governance

The Information Systems Department is responsible for issuing data security standards.

These standards cover:
– System uptime rates
– Data classification
– Data backups and protection
– Incident management
– Protection against computer viruses and security breaches.

The current information system, which covers all business processes, was deployed in 2004 in accordance with the Company's IT master plan.

The system is now out of date and no longer meets SFL's strategic needs. As a result, in early 2012, the Company started to examine options for changing the system.

Following a competitive bidding process conducted that year, Cassiopae was selected to develop a new information system. The project's status is reviewed at each meeting of the Audit Committee. The Company's options were limited as there are very few software solutions available for the property management industry and just two leading specialists, Cassiopae and SOPRA.

Information system operating procedures remain unchanged. Information systems management is outsourced to an external service provider, which provides assurance that databases are backed up at daily intervals and that the technical quality of backups is satisfactory. The outsourcing contract also includes a contingency plan, providing for the transfer of processing operations to IBM Global Service in the event of a major systems failure. All of these backup and contingency procedures have been reviewed by an external auditor to verify their effectiveness.

Operation of mission-critical property management applications is also outsourced under a facilities management contract which comprises all necessary safeguards to guarantee data security, including:
– A communications protocol describing data exchange methods and the documents used for communications between SFL and the external service provider.
– A facilities management procedure manual, describing the procedures to be followed for receiving, processing and tracking requests for application changes and upgrades, as well as for the acceptance of new developments and their transfer from development to operational status.
– Weekly activity reports comprising indicators to monitor the quality of information systems administration services.

The Information Systems Department, which is responsible for coordinating security procedures and data processes, supports the external auditors in their analysis of information systems risks and their audit of control processes and transaction traceability.

The auditors' recommendations concerning the preparation of written control procedures, notably for accounting applications, are implemented by the Company.

After the information systems project began falling behind schedule in the first quarter of 2014, the Company decided to call in KPMG which has an IT department specialised in the property management industry.

KPMG was asked to perform a critical review of the project and the costs incurred in relation to the budget, and to assess the ability of Cassiopae Real Estate to complete the project, prior to any decision to restart the system and outsource its operation to Cassiopae.

Based on its findings, KPMG concluded that it should be possible to complete the project provided that SFL's senior management and stakeholder departments became very actively involved in its governance. In addition, Cassiopae would need to give the necessary commitments concerning management of the project, transparent communications, the quality of delivered developments, compliance with the project timeline and deployment of adequate resources (in terms of both quality and quantity).

2.1.4 Internal code of ethics

All Group employees are required to comply with the SFL Code of Ethics, which applies in particular to dealings with third parties. All staff members have also been specifically notified of the rules concerning insider trading and the use of inside information. These rules have been published on the Company's intranet.

2.2 Internal control procedures

2.2.1 Procedures to identify and manage company-specific risks

Existence and valuation controls over the properties that constitute the bulk of the Group's assets are performed by independent valuers during their interim and annual portfolio valuations.

The Accounts Department pays particular attention to ensuring the completeness of accounting entries concerning renovation, repair and other work undertaken by Group companies.

To this end, a member of the accounting team has been given specific responsibility for managing works accounts for all companies, providing the Technical Department with a single point of contact and guaranteeing consistent treatment of all transactions. The internal audit programme includes a detailed review of the risk-mapping exercise conducted for all major property redevelopment projects planned by the Group. The map lists and measures the risks associated with each project, providing a decision-making aid for senior management and a basis for determining a risk monitoring methodology applicable during the redevelopment process.

To ensure that all liabilities have been identified and measured, checks are performed at several levels:
– Tenant risks are reviewed regularly by the property specialists in the Legal Department and second-tier controls are performed by an accounting manager on a centralised basis.
– The risk of legal disputes with the Company's partners is closely monitored, with technical guidance from the property specialists in the Legal Department.
– The Treasury Department participates actively in collecting information about off-balance sheet commitments related to hedging and debt instruments, as well as commitments to suppliers, and ensuring that the information is complete.

2.2.2 Identifiable risks

The Company's main identifiable risks concern:
– Loss of or damage to assets (managed through building maintenance, technical monitoring of refurbishment projects, property surveys, etc.).
– Breaches of environmental regulations.
– Rent defaults and failure to take into account the full impact of vacancy rates.
– Fraud.

The risks specific to the Company and the industry are described in detail on pages 25 *et seq.* of the Financial and Legal Report.

2.2.3 Insurance

The Group's insurance policies include both property cover and liability cover for SFL and its subsidiaries, based on the nature of their businesses and the underlying risks. Buildings are insured on an all-risks basis with named exclusions. The policies cover reconstruction or replacement cost as well as loss of revenue for 48 months for buildings in use, with an overall cap of €300 million. Losses incurred during repair and maintenance work not insured under a "contractors all risks" policy are also covered up to a maximum of €7.5 million.

2.2.4 Controls over the quality of accounting and financial information

As a company listed on NYSE Euronext Paris, SFL has to take a more rigorous, highly disciplined approach to preparing financial information.

With a very high capital-per-employee ratio, the Company uses the services of external experts to stay informed of technical developments in the areas of accounting, finance and tax. As well as providing regular technical updates, these experts also give formal advice on the choice of accounting options that have a material impact on the financial statements.

SFL participates in work groups set up by the industry federation and other organisations representing the property sector, providing an opportunity to exchange information about best practices and industry standards.

In July 2011, the Company joined Institut Français des Administrateurs, the French federation of company directors.

2.2.5 Book-keeping procedures

The accounts of all Group companies except for associates are kept on the same internal accounting system, which is integrated in the management information system. The consolidated financial statements are produced using consolidation software that represents a market standard, guaranteeing its reliability and maintainability.

All of the accounting teams are part of the Accounting and Budget Control Department, which in turn forms part of the Finance Department.

The corporate accountants each keep the accounts of one or several consolidated companies. They rotate between companies from time to time, to limit the risks arising from an excessive concentration of information in the hands of a single person and also to facilitate multi-tasking when the need arises. To strengthen this duplication of knowledge, the accountants are paired up and fill in for each other when required.

Each year, the corporate accountants are assigned specific objectives. Their performance in relation to these objectives is assessed at the end of the year, during their annual performance review, and determines the amount of their bonus.

As mentioned in the Corporate Governance section, the Audit Committee of the Board of Directors meets twice a year to review with the external auditors the annual and interim financial statements and any significant transactions for the period. The Committee also meets with the external auditors to discuss the content of their work programmes and the observations and recommendations set out in the post-audit reports prepared after their audits of the interim and annual financial statements.

2.2.6 Procedure for the preparation of the consolidated financial statements

A full set of monthly consolidated accounts is produced for internal management purposes and for submission to the Company's majority shareholder. These full monthly accounts are not audited or published.

The procedures for the preparation of the monthly accounts were defined with the assistance of outside consultants, to ensure that reporting deadlines are met. All departments are concerned and controls over the centralised data are performed to ensure that the reported statutory and management accounting data have been prepared on a consistent basis.

The half-yearly and annual financial statements remain the basis for an extensive financial communication process and must be produced within a very short timeframe to comply with market standards. The publication dates are announced to the market in advance and must be met without fail.

2.2.7 Budget and business plan procedures

As well as carrying out account closing procedures, the Budget Control Department produces a rolling five-year business plan, the first year of which corresponds to the budget. The business plan is prepared by aggregating and checking the detailed information produced by all Group departments. For example, the property management departments provide revenue and expense forecasts for each individual building presented on a lease-by-lease basis.

The annual budget is broken down into monthly budgets.

The business plan includes:
– Five-year profit and loss account projections
– A condensed statement of financial position
– A quarterly analysis of changes in consolidated debt
– Key financial ratios such as EBITDA, EPRA earnings and loan-to-value.

The business plan is reviewed each year and approved by the Board of Directors at the year-end. It can be completely reworked or modified at the specific request of the Board.

The budget is updated twice during the year.

It plays an essential role as a roadmap for the business and also as a benchmark for measuring actual performance, based on the monthly reporting packages used for internal management purposes and submitted to the majority shareholder.

In conclusion, the Group's control procedures over the production of accounting and financial information, and its internal control procedures covering the preparation of the consolidated financial statements, are appropriate for the purpose of producing reliable accounting and financial information.

2.2.8 Controls over liquidity risks

SFL's liquidity management policy consists of maintaining long maturities of debt, in order to be in a position to efficiently roll over or replace borrowings without having to contend with market distortions which, while rare, nevertheless exist. In addition, confirmed undrawn lines of credit are maintained for amounts at least equal to the debt repayments due in the short-term, in order to cover liquidity risks.

2.2.9 Management of market risks

Market risks are managed on a conservative basis, without taking any speculative positions. With more than 90% of debt at 31 December 2015 at fixed rates of interest, the Company's exposure to interest rate risk is limited. If applicable, Company policy is to hedge interest rate risk on at least 70% of debt using swaps or caps.

2.2.10 Controls over counterparty risks

All financial transactions are carried out with leading financial institutions.
Cash reserves, which are limited due to the use of revolving credit facilities, are invested with high quality banks and are not exposed to the risk of any loss of capital.

2.2.11 Controls over property-related technical risks

The purpose of controls over property-related technical risks is to prevent and contain environmental risks (asbestos, lead, legionella, etc.) associated with the properties in the portfolio and to ensure that all of these properties comply strictly with the applicable laws and regulations.

All of the risks have been identified and described in an environmental charter. Procedures have been drawn up covering all identified risks, including checks for asbestos and lead paint, legionella prevention measures, analyses of drinking water and safety checks on technical installations (electricity systems, lifts, safety equipment, gas pressure equipment, escalators, automatic doors and travelling units).

The procedures describe the action to be taken, the implementation timeline and the related controls. Employees responsible for these measures and controls receive specific training.

2.2.12 Purchases and competitive bids

Routine purchases are made from accredited suppliers at regularly negotiated prices. For other purchases, competitive bids are obtained from several companies or suppliers where appropriate.
A specific contract tendering procedure was set up in 2012.

2.3 Work of the Audit Committee in 2015 and comparison with best practices

As noted in the introduction, the Board of Directors has tasked the Audit Committee with strengthening the Company's corporate governance rules and diligently assessing internal control and risk management procedures.

The Chairman of the Audit Committee regularly updated the Board of Directors about the Committee's work in 2015.

2.3.1 Internal audits performed in 2015

In early 2015, the Audit Committee defined and approved the internal audit programme for the year based on the Company's risk map.

The programme provided for the audit of the following processes:

a) Capex management: supplier selection process and process for tracking actual expenditure against the budget for each project.
b) Regulatory compliance – Targeted review.
c) Marketing process: assessment of the process for marketing vacant properties, covering marketing policy, marketing expense analyses, the time taken to find tenants, tracking of broker activities.
d) Implementation of the internal auditors' recommendations.

After each audit, reports were prepared and submitted to the Audit Committee, which also made inquiries of the internal auditors and the Chief Resources Officer, who is the Head of Internal Audit. The Audit Committee was also informed of the status of action plans undertaken to implement the internal auditors' recommendations.

a) Capex management

Purpose of the audit

The purpose of the audit was to obtain assurance concerning the reliability of the capex management process by examining the various stages in the process and the related controls, in order to assess their relevance and operational effectiveness and recommend improvements.

Risk

Renovating properties is of critical strategic importance, as the quality of the portfolio is central to the Company's business model. Many properties have been remodelled or renovated during the past ten years.
In 2014, €118 million were spent on remodelling or renovating 50,000 sq.m of office and retail space, representing around 15% of the total portfolio.

The projects fall into three categories:
– Major remodelling
– Renovation of private areas
– Modernisation of common areas.

Poor control of capex would lead to a risk of budget overruns and could adversely affect the yield earned on the property.

Current process

To monitor expenditure on a building-by-building basis, since 2011 the Operations Department organises capex review meetings every two or three months. The reviews are performed by either:
– the Asset Review Committee (ARC), in the case of buildings that are in use, or
– the Project Review Committee (PRC), for buildings that are being remodelled.

Each review focuses on a specific building or a specific operation and generally covers the risks, the budget, expenditure to date and the project business plan.

The rolling five-year business plan (prepared each year and updated once a year) presents capital expenditure commitments for each building and the projected future cash flows.

The following procedures are currently implemented:
– Remodelling or modernisation work commitment procedure (objectives, scheduling and design)
– Contract tendering procedure.

The process involves:
– Senior Management
– Technical & Development Department
– Asset Management Department
– Budget Control Department.

Conclusion

Based on the audit findings, the process's core strengths are as follows:
• Appropriate reviews of a building's use and the status of restructuring or renovation projects performed regularly by the ARC or PRC.
• Evidencing of budget decisions by the Technical Department in the form of investment sheets or ARC/PRC minutes.
• Annual preparation of a rolling five-year business plan (updated twice a year) which is used to identify and update individual project budgets.
• Programmed controls in the information system preventing the input of commitments that would result in a budget overrun.
• Independent monitoring of expenditure commitments by department (Technical & Development, Property Management, Marketing).

The identified areas for improvement concern:
• Updating of delegations of authority.
• Updating of the procedure in place within the Technical Department to include the other departments concerned and the procedure for entering an operation in the Esti@ information system.
• Regular, formal controls to ensure that data entered in Esti@ accurately reflect the decisions made by the authorised persons.
• More detailed presentations of budgeted and actual expenditure at ARC or PRC meetings.
• Compliance with the contract tendering procedure and adjustments to the procedure for commitments in excess of €50,000.

b) Regulatory compliance – Targeted review

Purpose

The purpose of this audit was to obtain assurance that SFL complies with regulatory requirements in the following areas:

I. Procedures to ensure that suppliers fulfil their obligations concerning the fight against clandestine and undeclared labour
II. Requirement to produce an asbestos technical file
III. Existence of acceptance reports for a selection of recent projects.

I. Procedures to ensure that suppliers fulfil their obligations concerning the fight against clandestine and undeclared labour

Risk and current procedure

To comply with the applicable regulations (Article L.8222-5 of the French Labour Code), in January 2015 a dedicated web platform ("e-Attestation") was launched that enables suppliers to submit, simply and free of charge, all of their employee- and tax-related documents and enables SFL to fulfil its regulatory obligations by obtaining assurance that its suppliers are in compliance with the regulations.
A list has been drawn up of the main businesses likely to be concerned by these regulatory requirements, based on the corresponding APE business identifier codes.
The "customer" at SFL checks that the chosen supplier is up to date with its regulatory obligations (declarations are valid for six months).

The process involves:
– Information Systems Department
– Technical & Development Department.

Failure to fulfil these obligations could expose the "customer" to the risk of a fine or a term of imprisonment, and the Company's image may be harmed.

Conclusion

The audit revealed that, based on a sample covering #cloud.paris, Washington Plaza (redesign and renovation of the staff restaurant) and Louvre des Antiquaires, 14% of suppliers were not registered on the "e-Attestation" web platform in breach of the regulations and 16% of registered suppliers had provided incomplete information.

The main recommended improvements concerned setting up:
- A procedure to regularly monitor the list of suppliers that have not submitted their employee- and tax-related documents to SFL.
- An alternative procedure (for example, issue of a final direct reminder) for suppliers who have not registered in e-Attestation, in order to obtain the required documents.
- Regular, formal controls to check the compliance of supplier files uploaded in e-Attestation.

The above recommendations were implemented in December 2015.

II. Requirement to produce an asbestos technical file

Risk and current procedure

Regulations covering asbestos-related risks are very strict.
As an owner of buildings that are open to the public, SFL is required to play an active role in implementing these regulations, in particular by preparing an up-to-date asbestos technical file to be sent to building users (tenants) and to contractors working on the project.
Decree 2011-629 of 3 June 2011 concerning protection of the public against the health risks arising from exposure to asbestos in buildings lists materials containing asbestos not covered by earlier legislation and adds roofing and outside walls to the building components that must now be checked within nine years of the decree's effective date, i.e., by 1 February 2021.

Failure to comply with these regulations would expose SFL to a legal and financial risk.

The following procedures have been set up to comply with the regulations:
– Procedure to check for the possible presence of materials containing asbestos in each of the Company's buildings. An asbestos technical file is produced for each building and updated every three years by the Technical & Development Department, based on visual checks. The Technical & Development Department performs centralised controls to ensure that each building has been checked for the possible presence of materials containing asbestos and that an asbestos technical file has been prepared and distributed for each building.
– Preparation of regular reports to senior management on implementation of the above procedure.
– Since the beginning of 2015, the Risk and Safety Officer is responsible for ensuring that the asbestos technical file is sent to tenants and contractors by registered mail with return receipt requested.

The Company's properties fall into three categories: buildings in which asbestos has been located, buildings from which asbestos has been removed and buildings for which asbestos-related information is not directly available at SFL.

Among the 18 properties in the portfolio, the asbestos technical file summary was not up to date for four buildings (90 Champs-Élysées, Cézanne Saint-Honoré, 6 Hanovre and Washington Plaza). For two buildings (Cézanne Saint-Honoré and Édouard VII) no historical information was available at the time of acquisition and the asbestos technical files are therefore incomplete, although no asbestos has been located in either building. For one building (6 Hanovre), the expert's visual inspection report has not been obtained following the service provider's bankruptcy in December 2014.

All of these asbestos technical files are in the process of being updated by the Risk and Safety Officer.

Conclusion

Based on the audit findings, the process's core strengths are as follows:
- For buildings in which materials containing asbestos have been located, the Risk and Safety Officer manages the related documents and oversees compliance with the regulations on a centralised basis.
- Monthly reports are submitted to senior management.
- The person tasked with preparing and updating the asbestos technical files is also responsible for sending the files to tenants and contractors, as well as for the procedure's traceability (files sent by registered mail with return receipt requested).

The identified areas for improvement concern:
- Development of a written procedure to track asbestos management activities and asbestos technical file traceability (files whose existence was unknown to SFL).
- Development of a procedure to ensure that three-yearly asbestos checks are performed and that asbestos technical files are properly updated.
- Development of a procedure to check that SFL has kept a trace of sending out asbestos technical files to tenants and contractors.

III. Existence of acceptance reports for a selection of recent projects

Risk and current procedure

The following measures have been implemented to comply with regulatory requirements concerning the acceptance of building work:

– Before the work has been completed, checks are performed to identify the problems to be resolved before final delivery and sign-off.
– When the work has been completed, the site is visited to check compliance with building regulations.
– If any problems are noted, the contractor has 30 days in which to make the necessary changes. If the problems are not satisfactorily resolved, the Company may call in a new contractor to make the required changes and charge the related cost to the original contractor.
– The acceptance report is then given to the contractor and signed by all the parties concerned.
– For work costing less than €2,000, the acceptance report is represented by the invoice.
– The cost controller is responsible for chasing up contractors to obtain work acceptance reports.

Conclusion

The documents are up to date and correctly signed, but the procedure has not been issued in writing, with the result that there is limited visibility of its implementation.

The recommended improvements concern the drafting of a written procedure covering formal acceptance of work.

c) Marketing process: assessment of the process for marketing vacant properties, covering marketing policy, marketing expense analyses, the time taken to find tenants, tracking of broker activities

Purpose

The purpose of the audit was to obtain assurance concerning the reliability of the asset marketing process by examining the various stages in the process and the related controls, in order to assess their relevance and operational effectiveness and recommend improvements.

Risks

Financial risks exist if a property is let at below market rent or a tenant defaults on the rent.
The Company's image may be affected by its choice of tenants.

The current marketing process is as follows:

• A rolling five-year business plan is prepared each year, then updated twice during the year. The business plan defines marketing objectives based on the property's rental status and various rental assumptions (tenant turnover, minimum rents, marketing period, work).
• The Company uses brokers to help market vacant units. Broker selection is based on a competitive bidding process.
• The Marketing Department calls monthly meetings of a Marketing Actions Committee (MAC) attended by representatives of the operating departments, to discuss recent developments and update the marketing strategy.
• Monthly meetings are also organised between the Marketing Department and the brokers. During these meetings, the brokers present their activity reports, together with information about the most recent site visits, the status of negotiations and comparable recent transactions.

Conclusion

Based on the audit findings, the process's core strengths are as follows:

• Preparation and twice-yearly updating of a rolling five-year business plan helps to identify potential lease terminations and new leases and thus to define a marketing strategy for the vacant units (work, target rent, marketing period, etc.).
• The regular MAC meetings provide an opportunity to update the marketing strategy and action plan.
• The monthly meetings with brokers help the Marketing Department to track market trends and the progress of marketing operations.
• SFL's competitive advantage lies in its ability to respond quickly to situations in a market shaped by a continuous power struggle between the various players.
• The majority of marketing mandates are based on more favourable rental assumptions than those on which the five-year business plan is based.
• Marketing mandates have been signed or are in the process of being signed for all vacant units.
• In most leases signed in 2015, the financial terms are more favourable than the assumptions used to prepare the business plan.

The identified areas for improvement concern:

• Updating of the broker selection procedure (competitive bidding process).
• Formal assessments of the quality of potential tenants.
• Improvements to the marketing mandate signature process.

d) Implementation of the internal auditors' recommendations

The last audit carried out in 2015 covered implementation of the internal auditors' recommendations. Its purpose was to ensure that the recommendations issued since the first internal audits were carried out in 2012 had been implemented.

Implementation is monitored by the Chief Resources Officer and head of internal audit based on a schedule listing the recommendations and describing the related action plans.

The audit findings were as follows:

13 internal audits were carried out between March 2012 and December 2014.

A total of 71 recommendations were made.

Of these **71** recommendations:

– **10** concerned audits renewed in 2015; these are not included in the monitoring process which therefore covers 61 audits.
– **30** recommendations have been implemented, representing 48% of the total.

These recommendations mainly concerned audits of the property appraisal process, the process for the issuance of rent receipts, cash outflows and the lease signing process.
For 21 recommendations, effective implementation was checked through interviews and tests.
The six recommendations concerning the property appraisal process led to the updating of written procedures. Their application could not be tested for reasons related to the Company's internal organisation.
Three recommendations have been partially implemented. Consistency tests have been introduced, rather than the recommended systematic second-tier controls.
This concerns:
a) Allocation of property-related costs by the property managers by type (e.g., rebillable costs).
b) Controls over the input of INSEE indices in Esti@.

– Implementation of **10** recommendations is under review.

– **16** recommendations have not been implemented, including 4 qualified as level 1 priorities. These 4 recommendations mainly concern the lease signing process and will be implemented as soon as the new information system comes on stream.

– Lastly, **5** recommendations are considered inapplicable due mainly to the Company's structure, or because the software concerned is no longer used or the risk is viewed as low.

2.3.2 Risk monitoring

At its meeting on 24 July 2012, the Board of Directors asked the Audit Committee to work with management to create a "Risk Indicator Scorecard" based on existing indicators that could be used to monitor business risks.

At its meeting on 14 November 2012, the Audit Committee agreed on a Scorecard comprising four indicators covering rent defaults/leases and six financial indicators.

The Audit Committee decided that the Risk Indicator Scorecard would be reviewed and updated every six months.

The updated Scorecard was reviewed by the Audit Committee during its meeting on 21 July 2015 (i.e., at the end of the first half of 2015).

2.3.3 The Audit Committee's role and best practices

In line with best practices in France, the Audit Committee asked KPMG to perform an assessment of the Committee's governance practices and procedures compared with regulatory requirements and existing recommendations.

KPMG issued a report on its assessment.

Since the beginning of 2011, the Audit Committee has been looking in detail at:
- The governance rules applied by the Group's administrative, management and supervisory bodies, with the aim of matching the best practices of listed French companies.
- Investor relations and EPRA recommendations in this area.
- The Company's risk map and internal audit processes.

KPMG's assessment showed that the Audit Committee generally meets expectations in terms of its practices and the fulfilment of its role. In particular, KPMG obtained assurance concerning:
- Compliance with the rules governing the Audit Committee's membership and basic rules of procedure.
- The Committee's review of the annual and interim financial information.
- The Committee's analysis of internal control and risk management systems, particularly through its review of internal audit reports.
- The Committee's review of the external auditors' conclusions during the auditors' presentation of their annual and interim post-audit reports.
- Compliance with the main rules governing relations between the Audit Committee and the various members of the Company's management.
- The transmission, sufficiently in advance of each Committee meeting, of the documents issued by the Company such as financial communications and internal audit reports.

The Audit Committee's main practices consist of:
- Planning in advance the work to be performed and validating the issues to be discussed during Committee meetings.
- Performing detailed reviews of financial information and gaining an in-depth understanding of the internal control system.
- Drafting questions and comments on specific issues (requests for explanations of calculation assumptions and data consistency issues).
- Performing detailed reviews of the external auditors' work and following up on action to implement their recommendations concerning the internal control system.
- Regularly reporting on the status of the Committee's work to the Board of Directors, to permit the Board to assess this work.

KPMG recommended that these practices be pursued and strengthened.

The Company's system of internal control is designed to:
- Ensure that all acts of management, all transactions, and the behaviour of all Company employees comply with the general strategic guidelines established by the Board of Directors, the applicable laws and regulations, and SFL's corporate values, standards and internal rules.
- Ensure that all accounting, financial and management information reported to the Company's Board of Directors gives a true and fair view of the Company's business and position.
- Prevent and manage business risks, as well as the risk of accounting and other errors and fraud.

However, no system of controls can provide an absolute guarantee that all such risks have been completely eliminated.

Chairman of the Board of Directors

Appendix 7.6

Agenda for the Annual General Meeting of 26 April 2016

Ordinary Meeting

- Approval of the Company financial statements for the year ended 31 December 2015.
- Approval of the consolidated financial statements for the year ended 31 December 2015.
- Appropriation of profit for the year ended 31 December 2015 and dividend.
- Re-election as a director of Anne-Marie de Chalambert.
- Re-election as a director of Chantal du Rivau.
- Re-election as a director of Juan José Brugera Clavero.
- Non-replacement as a director of Jacques Calvet.
- Re-election as a director of Jean-Jacques Duchamp.
- Re-election as a director of Carlos Fernandez-Lerga Garralda.
- Re-election as a director of Pere Viñolas Serra.
- Re-election as a director of Anthony Wyand.
- Re-election as a director of Reig Capital Group Luxembourg SARL.
- Advisory vote on the components of the remuneration due or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2015.
- Advisory vote on the components of the remuneration due or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2015.
- Advisory vote on the components of the remuneration due or awarded to Dimitri Boulte, Managing Director, for the year ended 31 December 2015.
- Authorisation to be given to the Board of Directors to carry out a share buyback programme governed by Article L.225-209 of the French Commercial Code, duration of the authorisation, purpose, terms, ceiling.
- Powers to carry out formalities.

Extraordinary Meeting

- Authorisation to be given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.225-209 of the French Commercial Code, duration of the authorisation, ceiling.
- Powers to carry out formalities.

Proposed resolutions

Ordinary resolutions

FIRST ORDINARY RESOLUTION (Approval of the Company financial statements for the year ended 31 December 2015)

The Annual General Meeting, having considered the Chairman's report on corporate governance and internal control, the Board of Directors' management report and the Auditors' report on the Company financial statements, approves the Company financial statements for the year ended 31 December 2015 as presented, showing a net loss of €26,718,556.09, together with the transactions reflected in these financial statements or described in these reports.

SECOND ORDINARY RESOLUTION (Approval of the consolidated financial statements for the year ended 31 December 2015)

The Annual General Meeting, having considered the Board of Directors' management report included in the Group Management Report, and the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2015 as presented, showing profit attributable to owners of the parent of €492,861 thousand, as well as the transactions reflected in these financial statements and described in these reports.

THIRD ORDINARY RESOLUTION (Appropriation of profit and dividend)

The Annual General Meeting, having considered the Board of Directors' report and the Auditors' report on the Company financial statements:

- Notes that, for the year ended 31 December 2015, the Company reported a loss of €26,718,556.09 after tax and provision charges.
- Resolves, based on the recommendation of the Board of Directors:
  - To set off the loss for the year ended 31 December 2015 against retained earnings to the extent possible, reducing retained earnings from €517,032.60 to €0.
  - To set off the balance (€26,201,523.49) against the share premium account, which will be reduced from €758,450,719.15 to €732,249,195.66.
  - After noting the availability of distributable reserves, to pay to shareholders a net dividend of €1.05 per share, representing a total payout of €48,855,422.70 based on the 46,528,974 shares outstanding at 31 December 2015. The dividend will be paid out of the share premium account, which will be reduced from €732,249,195.66 to €683,393,772.96.

In the case of any increase in the number of shares with rights to the 2015 dividend compared with the 46,528,974 shares outstanding at 31 December 2015, the total dividend will be adjusted accordingly by deducting the additional amount required from the share premium account, so that the total deduction corresponds to the actual dividends payable.

Dividends not payable on shares held in treasury stock on the dividend payment date and any dividends waived by shareholders will be credited to retained earnings. The total dividend will be adjusted accordingly.

SFL shares will trade ex-dividend from 28 April 2016.
The dividend will be paid in cash as from 2 May 2016.

The Annual General Meeting gives the Board of Directors full powers, which may be delegated to the Chief Executive Officer or, with the latter's agreement, to the Managing Director, to implement this resolution, place on record the actual amount of dividends distributed, the amount credited to retained earnings and the new balance of the share premium account.

The Annual General Meeting notes that the dividend of €1.05 per share qualifies in full as a return of capital governed by Article 112-1 of the French Tax Code.

In accordance with Article 243 *bis* of the French Tax Code, information on dividends paid in the last three years is provided below:

Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance for shareholders resident in France	Portion of the dividend classified as a return of capital	Total dividend(1)
2012	€0.70(2)	€0.70	–	–	€32,570,281.80
	€1.40	€0.61	–	€0.79	€65,140,563.60
2013	€0.70(3)	–	€0.70	–	€32,570,281.80
	€1.40	–	€0.27	€1.13	€65,140,563.60
2014	€0.70(4)	–	–	€0.70	€32,570,281.80
	€1.40	–	€0.68	€0.72	€65,140,563.60
2015	€1.05(5)	–	–	€1.05	€48,855,422.70

(1) Not including dividends not paid on shares held in treasury stock.

(2) Special distribution of €0.70 per share decided by the General Meeting of 15 November 2012.

(3) Interim distribution paid on 23 October 2013 by decision of the Board of Directors on 7 October 2013.

(4) Special distribution of €0.70 per share decided by the General Meeting of 14 November 2014.

(5) Special distribution of €1.05 per share decided by the General Meeting of 13 November 2015.

FOURTH ORDINARY RESOLUTION (Re-election as a director of Anne-Marie de Chalambert)

The Annual General Meeting, having noted that Anne-Marie de Chalambert's term of office as a director expires at the close of the Meeting, resolves to re-elect her for a one-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2016.

FIFTH ORDINARY RESOLUTION (Re-election as a director of Chantal du Rivau)

The Annual General Meeting, having noted that Chantal du Rivau's term of office as a director expires at the close of the Meeting, resolves to re-elect her for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2018.

SIXTH ORDINARY RESOLUTION (Re-election as a director of Juan José Brugera Clavero)

The Annual General Meeting, having noted that Juan José Brugera Clavero's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2018.

SEVENTH ORDINARY RESOLUTION (Non-replacement as a director of Jacques Calvet)

The Annual General Meeting, having noted that Jacques Calvet's term of office as a director expires at the close of the Meeting and that he is not standing for re-election, resolves not to replace him on the Board.

EIGHTH ORDINARY RESOLUTION (Re-election as a director of Jean-Jacques Duchamp)

The Annual General Meeting, having noted that Jean-Jacques Duchamp's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2018.

NINTH ORDINARY RESOLUTION (Re-election as a director of Carlos Fernandez-Lerga Garralda)

The Annual General Meeting, having noted that Carlos Fernandez-Lerga Garralda's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2018.

TENTH ORDINARY RESOLUTION (Re-election as a director of Pere Viñolas Serra)

The Annual General Meeting, having noted that Pere Viñolas Serra's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2018.

ELEVENTH ORDINARY RESOLUTION (Re-election as a director of Anthony Wyand)

The Annual General Meeting, having noted that Anthony Wyand's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a one-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2016.

TWELFTH ORDINARY RESOLUTION (Re-election as a director of Reig Capital Group Luxembourg SARL)

The Annual General Meeting, having noted that Reig Capital Group Luxembourg SARL's term of office as a director expires at the close of this Meeting, resolves to re-elect it for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2018.

THIRTEENTH ORDINARY RESOLUTION (Advisory vote on the components of the remuneration due or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors)

The Annual General Meeting, consulted in application of the AFEP-MEDEF Corporate Governance Code for Listed Companies (paragraph 24.3), issues a positive advisory vote on the components of the remuneration due or awarded to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors, as described in section 3.4.1.5 of the Management Report (including Appendix 7.5 – Chairman's Report on Corporate Governance and Internal Control) presented by the Board of Directors for the year ended 31 December 2015.

FOURTEENTH ORDINARY RESOLUTION (Advisory vote on the components of the remuneration due or awarded to Nicolas Reynaud, Chief Executive Officer)

The Annual General Meeting, consulted in application of the AFEP-MEDEF Corporate Governance Code for Listed Companies (paragraph 24.3), issues a positive advisory vote on the components of the remuneration due or awarded to Nicolas Reynaud in his capacity as Chief Executive Officer, as described in section 3.4.1.5 of the Management Report (including Appendix 7.5 – Chairman's Report on Corporate Governance and Internal Control) presented by the Board of Directors for the year ended 31 December 2015.

FIFTEENTH ORDINARY RESOLUTION (Advisory vote on the components of the remuneration due or awarded to Dimitri Boulte, Managing Director)

The Annual General Meeting, consulted in application of the AFEP-MEDEF Corporate Governance Code for Listed Companies (paragraph 24.3), issues a positive advisory vote on the components of the remuneration due or awarded to Dimitri Boulte in respect of his salaried functions (Mr Boulte is remunerated for his role as Managing Director), as described in section 3.4.1.5 of the Management Report (including Appendix 7.5 – Chairman's Report on Corporate Governance and Internal Control) presented by the Board of Directors for the year ended 31 December 2015.

SIXTEENTH ORDINARY RESOLUTION (Authorisation given to the Board of Directors to carry out a share buyback programme governed by Article L.225-209 of the French Commercial Code)

The Annual General Meeting, having considered the report of the Board of Directors, resolves:

1. To cancel with immediate effect the unused portion of the authorisation given in the eleventh ordinary resolution of the General Meeting of 22 April 2015 to buy back the Company's shares.

2. To authorise the Board of Directors, in accordance with Articles L.225-209 *et seq*. of the French Commercial Code, Articles 241-1 to 241-6 of the General Regulations of the French securities regulator (Autorité des Marchés Financiers) and European Commission Regulation 2273/2003 of 22 December 2003 and with the market practices recognised by the Autorité des Marchés Financiers, to buy back, hold or transfer, in one or several transactions, shares representing up to 10% of the Company's issued capital as of the date of this Meeting, as adjusted if applicable to take into account any capital increases or reductions that may take place after this Meeting, subject to the following restriction:
   – The shares may not be bought back at a price in excess of €60 per share, excluding transaction costs, as adjusted if appropriate for the effects of any corporate actions, including any bonus share issue paid up by capitalising reserves and/or any share split or reverse share split.
   – Consequently, based on the number of shares outstanding at 31 December 2015, the total amount invested in the share buyback programme will represent a maximum of €279,173,820 corresponding to 4,652,897 ordinary shares. This maximum will be adjusted, if necessary, to reflect the number of shares outstanding at the date of this Meeting and the effects of any future corporate actions.

3. That this authorisation is given for a period of 18 months from the date of this Meeting.

4. That the share buybacks carried out under this authorisation may not under any circumstances result in the Company holding, directly or indirectly, more than 10% of the shares making up its issued capital.

The shares may be bought back or transferred at any time, including while a public offer is in progress provided that said offer is for cash only, on the basis and subject to the restrictions – particularly in terms of volumes and price – specified in the laws and regulations applicable on the transaction date. The transactions may be carried out by any appropriate method, including on the market, through a multilateral trading facility, through a "systematic internaliser" (as defined by the Markets in Financial Instruments Directive) or over-the-counter, through block purchases or sales or otherwise, or through the use of options or other derivative financial instruments or warrants, or through the remittance of shares following the issue of securities carrying rights to shares or the loan or temporary transfer of securities on the basis approved by the securities regulator. The timing of such transactions will be decided by the Board of Directors or by any person duly authorised by the Board. The entire programme may be carried out through a block purchase.

The shares may be bought back for any purpose allowed by law. The objectives of the share buyback programme shall notably be as follows:

- To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groupings in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the statutory profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq.* of the French Labour Code or other legal provisions or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.

- To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the Autorité des Marchés Financiers.

- To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company and to cover the Company's obligations towards the holders of these securities.

- To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.

- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the first extraordinary resolution of this Meeting authorising the Board of Directors to reduce the capital.

- Generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be permitted in the future by the applicable regulations.

When shares are bought back under a liquidity contract in accordance with the General Regulations of the Autorité des Marchés Financiers, the number of shares used to calculate the limit of 10% of the issued capital will correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The number of shares bought back in order to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger, demerger or asset contribution may not exceed 5% of the issued capital as determined on the transaction date.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution, in accordance with Article L.225-209 of the French Commercial Code.

5. That the Board of Directors shall have full powers, including the power of delegation, to implement this authorisation, clarify its terms if necessary, and decide the method of implementation in accordance with the law and this resolution. Specifically, the Board of Directors is authorised to place, buy and sell orders, enter into any and all agreements for the keeping of registers of purchases and sales or other registers, draw up any and all information and other documents, allocate or re-allocate the bought back shares to any of the above purposes, carry out any and all filing and other formalities with the Autorité des Marchés Financiers and all other organisations, carry out any and all other formalities and generally do whatever is necessary.

SEVENTEENTH ORDINARY RESOLUTION (Powers to carry out formalities)

The Annual General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Extraordinary resolutions

FIRST EXTRAORDINARY RESOLUTION (Authorisation given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.225-209 of the French Commercial Code)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-209 of the French Commercial Code:

1. To authorise the Board of Directors to cancel, on one or several occasions, all or some of the shares held by the Company or that may be held in the future following utilisation of the various buyback authorisations given by the General Meeting to the Board of Directors, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Said 10% limit shall apply to an adjusted number of shares, if necessary to take into account any corporate actions carried out after this Meeting.

2. To authorise the Board of Directors to charge the difference between the cost of the cancelled shares and their par value to any available premium or reserve account.

3. To give full powers to the Board of Directors – directly or through a representative appointed in accordance with the applicable laws and regulations – to effect the capital reduction(s) resulting from the share cancellations authorised by this resolution, determine and place on record the final amount of the capital reduction(s), record the corresponding accounting entries, amend the Articles of Association to reflect the new capital and generally carry out any and all necessary formalities.

4. To set at 18 months from the date of this Meeting the period of validity of this authorisation, which cancels and replaces all previous authorisations with the same purpose.

SECOND EXTRAORDINARY RESOLUTION (Powers to carry out formalities)

The Extraordinary General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Appendix 7.7

Report of the Board of Directors

to the Extraordinary General Meeting

Resolutions tabled at the Extraordinary General Meeting of 26 April 2016

We invite shareholders to vote the extraordinary resolution presented below.

Authorisation to be given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.225-209 of the French Commercial Code (first extraordinary resolution)

In connection with the sixteenth ordinary resolution of this Meeting authorising the Board to implement a share buyback programme, one of the aims of which would be to purchase shares for cancellation, and in accordance with Article L.225-209 of the French Commercial Code, shareholders are asked to give the Board of Directors an 18-month authorisation to cancel all or some of the SFL shares bought back under the share buyback programme authorised in the sixteenth ordinary resolution or any earlier share buyback programme and therefore reduce the share capital.

According to the applicable legislation, the Company could only cancel shares representing up to 10% of issued capital in any 24-month period.

If the first extraordinary resolution tabled at this Meeting is adopted by shareholders, the unused portion of the authorisation given to the Board of Directors in the twelfth extraordinary resolution of the General Meeting of 22 April 2015 will be automatically cancelled.

Activities of the Company since 1 January 2016

The report of the Board of Directors to the Annual General Meeting includes information about the activities of the Company since the beginning of the current financial year.

Shareholders are invited to adopt the resolutions tabled at this Meeting, after considering the report of the Auditors drawn up in accordance with the applicable laws.

The Board of Directors

Appendix 7.8

Portfolio at 31 December 2015

Owned properties		Total surface area (sq.m)	Offices (sq.m)	Retail (sq.m)	Hotels (sq.m)
1st *arrondissement*	Louvre Saint-Honoré	47,674	28,521	6,662	
2nd *arrondissement*	#cloud.paris	35,004	27,482		
2nd *arrondissement*	6 Hanovre	4,607	3,325		
7th *arrondissement*	103 Grenelle	18,865	15,585	258	
8th *arrondissement*	Washington Plaza	46,992	39,663	417	
8th *arrondissement*	Haussmann Saint-Augustin	13,435	11,683	791	
8th *arrondissement*	Galerie des Champs-Élysées	8,662		4,599	
8th *arrondissement*	90 Champs-Élysées	8,860	7,912	932	
8th *arrondissement*	92 Champs-Élysées	7,691	4,110	3,088	
8th *arrondissement*	Cézanne Saint-Honoré	29,047	24,437	1,849	
8th *arrondissement*	9 Percier	6,689	5,945		
9th *arrondissement*	Condorcet	24,883	20,376		
9th *arrondissement*	Édouard VII	54,120	28,413	7,331	3,125
12th *arrondissement*	Rives de Seine	22,671	20,270		
16th *arrondissement*	96 Iéna	8,856	7,505		
17th *arrondissement*	112 Wagram	5,999	4,470	892	
Neuilly-sur-Seine	176 Charles de Gaulle	7,381	5,749	389	
Issy-les-Moulineaux	Le Vaisseau	6,332	6,026		
Boulogne-Billancourt	IN/OUT	36,643	30,954		
Total		**394,412**	**292,426**	**27,207**	**3,125**

Properties under finance leases		Total surface area (sq.m)	Offices (sq.m)	Retail (sq.m)	Hotels (sq.m)
17th *arrondissement*	131 Wagram	9,186	7,100		
Total		**9,186**	**7,100**	**0**	**0**
2015 Total		**403,598**	**299,527**	**27,207**	**3,125**

	Cinema/ theatres (sq.m)	Residential (sq.m)	Staff restaurant/ fitness centre (sq.m)	Basements (sq.m) (file rooms, stock rooms)	Common areas and other (sq.m)	Parking spaces (number)
			2,134	1,895	8,462	236
			2,569	1,556	3,397	99
				1,246	36	
			1,052	247	1,724	100
			2,214	2,522	2,176	662
				961		104
				1,819	2,244	125
					17	
					493	
				1,257	1,504	128
				191	553	8
		1,562	1,301	1,644		50
	8,019	4,509	1,077	1,646		523
			1,760	641		366
				421	930	264
				75	562	29
				382	861	145
				306		124
			1,660	2,239	1,790	581
	8,019	**6,071**	**13,767**	**19,048**	**24,750**	**3,544**

	Cinema/ theatres (sq.m)	Residential (sq.m)	Staff restaurant/ fitness centre (sq.m)	Basements (sq.m) (file rooms, stock rooms)	Common areas and other (sq.m)	Parking spaces (number)
			449	1,104	532	124
	0	**0**	**449**	**1,104**	**532**	**124**

	8,019	**6,071**	**14,216**	**20,151**	**25,282**	**3,668**

Consolidated Financial Statements for the Year Ended 31 December 2015

The financial statements were approved for publication by the Board of Directors on 12 February 2016.

A. Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Intangible assets	VI-1	2,512	2,277	1,884
Property and equipment	VI-2	22,200	22,695	22,760
Investment properties	VI-3	5,098,496	4,392,767	3,810,524
Investments in associates	VI-4	–	–	302,341
Non-current financial assets	VI-5	696	716	692
Other non-current assets	VI-6	301	6,713	6,884
Total non-current assets		**5,124,205**	**4,425,168**	**4,145,084**
Investment properties held for sale		–	–	–
Inventories and work in progress		–	–	–
Trade and other receivables	VI-7	81,451	67,610	63,014
Other current assets	VI-8	446	1,310	1,594
Cash and cash equivalents	VI-9	12,487	17,091	29,032
Total current assets		**94,384**	**86,011**	**93,639**
Total assets		**5,218,589**	**4,511,179**	**4,238,723**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Share capital		93,058	93,058	93,058
Reserves		2,127,433	2,034,009	1,974,378
Profit for the year		492,861	197,737	147,259
Equity attributable to owners of the parent		**2,713,352**	**2,324,803**	**2,214,695**
Non-controlling interests		317,735	268,571	230,871
Total non-controlling interests		**317,735**	**268,571**	**230,871**
Total equity	**VI-10**	**3,031,087**	**2,593,374**	**2,445,566**
Long-term borrowings and derivative instruments	VI-11	1,704,551	1,592,412	1,345,323
Long-term provisions	VI-12	1,011	1,112	582
Deferred tax liabilities	VI-13	186,991	156,174	133,902
Long-term tax liabilities	VI-14	2,857	5,596	9,107
Other non-current liabilities	VI-15	17,637	15,489	15,575
Total non-current liabilities		**1,913,047**	**1,770,783**	**1,504,490**
Trade and other payables	VI-16	18,877	40,147	36,481
Short-term borrowings and other interest-bearing debt	VI-11	213,053	69,785	216,260
Short-term provisions	VI-12	570	442	484
Other current liabilities	VI-17	41,955	36,647	35,443
Total current liabilities		**274,455**	**147,021**	**288,668**
Total equity and liabilities		**5,218,589**	**4,511,179**	**4,238,723**

B. Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Property rentals		168,794	151,508	149,315
Property expenses, net of recoveries		(14,266)	(11,863)	(12,298)
Net property rentals	**VI-18**	**154,528**	**139,645**	**137,017**
Service and other revenues		–	–	29
Other income	VI-19	2,370	1,932	2,479
Depreciation and amortisation expense	VI-20	(1,143)	(1,011)	(1,018)
Provision (expense)/reversals, net	VI-21	(229)	196	1,411
Employee benefits expense	VI-22	(12,623)	(11,617)	(11,599)
Other expenses	VI-23	(7,605)	(7,615)	(8,476)
Profit on disposal of other assets	VI-24	14	8,475	–
Profit/(loss) on disposal of investment properties		–	–	(196)
Fair value adjustments on investment properties	VI-25	513,654	227,542	145,310
Operating profit		**648,966**	**357,547**	**264,957**
Share of profits/(losses) of associates	VI-26	–	(2,176)	20,969
Finance costs and other financial expenses	VI-27	(58,352)	(63,546)	(64,268)
Financial income	VI-27	6,231	7,715	11,184
Fair value adjustments on financial instruments	VI-28	(17,237)	(30,791)	(18,158)
Discounting adjustments to receivables and payables		(228)	(374)	598
Change in provisions for financial assets, net	VI-29	–	–	–
Profit before income tax		**579,380**	**268,375**	**215,282**
Income tax expense	VI-30	(34,245)	(28,147)	(32,585)
Profit for the year		**545,135**	**240,228**	**182,696**
Attributable to owners of the parent		**492,861**	**197,737**	**147,259**
Attributable to non-controlling interests	VI-31	52,274	42,491	35,437
Other comprehensive income				
Actuarial gains and losses	VI-12	151	(444)	84
Other items		130	–	–
Items that will not be reclassified to profit or loss		281	(444)	84
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	VI-28	8,123	5,034	24,036
Deferred tax impact of valuation gains and losses on financial instruments	VI-30	(840)	1,375	(535)
Items in the accounts of associates that may be reclassified subsequently to profit or loss	VI-4	–	1,980	3,879
Items that may be reclassified subsequently to profit or loss		7,283	8,389	27,380
Other comprehensive income		**7,564**	**7,945**	**27,464**
Comprehensive income		**552,699**	**248,173**	**210,160**
Attributable to owners of the parent		**499,625**	**206,991**	**174,214**
Attributable to non-controlling interests		53,074	41,182	35,946
Earnings per share	VI-32	€10.68	€4.29	€3.20

C. Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedges	Other reserves	Profit for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2013	**93,058**	**924,183**	**22,621**	**(18,234)**	**(12,795)**	**1,058,605**	**147,259**	**2,214,695**	**230,871**
Movements for the year									
Profit for the year							197,737	197,737	42,491
Other comprehensive income, net of tax					9,698	(444)		9,254	(1,309)
Comprehensive income					**9,698**	**(444)**	**197,737**	**206,991**	**41,183**
Appropriation of profit		44,549				102,710	(147,259)	–	
Treasury share transactions				703				703	
Gains and losses on sales of treasury shares				(986)				(986)	
Share-based payments						443		443	
Dividends paid to owners of the parent		(129,064)				32,254		(96,810)	(3,483)
Other adjustments						(232)		(232)	
Equity at 31 December 2014	**93,058**	**839,668**	**22,621**	**(18,517)**	**(3,097)**	**1,193,334**	**197,737**	**2,324,803**	**268,571**
Movements for the year									
Profit for the year							492,861	492,861	52,274
Other comprehensive income, net of tax					6,484	281		6,765	800
Comprehensive income					**6,484**	**281**	**492,861**	**499,626**	**53,074**
Appropriation of profit		31,875				165,862	(197,737)	–	
Treasury share transactions				1,893				1,893	
Gains and losses on sales of treasury shares				(1,743)				(1,743)	
Share-based payments						1,864		1,864	
Dividends paid to owners of the parent		(113,091)						(113,091)	(3,910)
Equity at 31 December 2015	**93,058**	**758,452**	**22,621**	**(18,367)**	**3,387**	**1,361,341**	**492,861**	**2,713,352**	**317,735**

D. Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Cash flows from operating activities				
Profit for the period attributable to owners of the parent		492,861	197,737	147,259
Fair value adjustments on investment properties	VI-25	(513,654)	(227,542)	(145,310)
Depreciation and amortisation expense	VI-20	1,143	1,011	1,018
Net additions to/(reversals of) provisions		178	44	(1,027)
Net (gains)/losses from disposals of assets, after tax	VI-24	(14)	(8,475)	196
Discounting adjustments and valuation (gains)/losses on financial instruments		17,465	31,165	17,560
Deferral of rent-free periods	VI-18	(17,573)	(10,230)	(4,231)
Employee benefits	VI-22	1,864	443	570
Share of (profits)/losses of associates	VI-4	–	2,176	(20,969)
Non-controlling interests in profit for the year	VI-31	52,274	42,491	35,437
Other movements		–	44	20
Cash flow after finance costs and income tax		**34,544**	**28,865**	**30,523**
Finance costs	VI-27	52,121	55,831	53,085
Income tax	VI-30	34,245	28,147	32,585
Cash flow before finance costs and income tax		**120,910**	**112,843**	**116,193**
Change in working capital		9,839	6,477	(9,991)
Dividends received from associates		–	7,279	9,066
Interest paid		(54,347)	(62,219)	(58,852)
Interest received		183	237	246
Income tax paid		(10,522)	(4,819)	(8,057)
Net cash provided by operating activities		**66,063**	**59,797**	**48,606**
Cash flows from investing activities				
Acquisitions of and improvements to investment properties	VI-35	(198,946)	(346,476)	(131,993)
Acquisitions of intangible assets and property and equipment		(881)	(1,482)	(3,014)
Acquisitions of subsidiaries, net of the cash acquired	VI-35	–	–	–
Proceeds from disposals of investment properties, intangible assets and property and equipment	VI-35	414	12	290,109
Proceeds from disposals of subsidiaries, net of the cash sold	VI-35	–	303,351	–
Other cash inflows and outflows		21	(44)	78
Net cash provided/(used) by investing activities		**(199,392)**	**(44,639)**	**155,180**
Cash flows from financing activities				
Proceeds from the issue of ordinary shares		–	–	–
Purchases and sales of treasury shares, net		150	(283)	55
Dividends paid to owners of the parent	VI-33	(113,091)	(96,810)	(96,774)
Dividends paid to non-controlling interests		(2,380)	(3,483)	(3,107)
Proceeds from new borrowings		1,105,887	606,978	265,867
Repayments of borrowings		(844,410)	(506,903)	(357,081)
Other movements in financing items		(13,127)	(22,384)	(12,881)
Net cash provided/(used) by financing activities		**133,029**	**(22,885)**	**(203,920)**
Net change in cash and cash equivalents		**(300)**	**(7,726)**	**(135)**
Cash and cash equivalents at beginning of year		(9,270)	(1,544)	(1,410)
Cash and cash equivalents at end of year		(9,570)	(9,270)	(1,544)
Net change in cash and cash equivalents		**(300)**	**(7,726)**	**(135)**

Cash and cash equivalents in the statement of cash flows are stated net of bank overdrafts.

E – Notes to the Consolidated Financial Statements

I - Accounting policies

I - 1) Accounting standards

As required under European Commission regulation (EC) 16/06/2002 dated 19 July 2002, the consolidated financial statements of the SFL Group have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations (SICs and IFRICs) adopted by the European Union.

The following new standards and interpretations published by the IASB had not been adopted by the European Union or were not yet applicable and were not early adopted as of 31 December 2015:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IAS 16 and IAS 38 – Acceptable Methods of Depreciation and Amortisation

The following new standards and interpretations were applicable as from 1 January 2015:

- Annual Improvements to IFRSs: 2011-2013 cycle (including improvements to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 13 – Fair Value Measurement, IAS 40 – Investment Property, and IFRS 3 – Business Combinations). The application of these improvements does not have a material impact on the consolidated financial statements.
- Annual Improvements to IFRSs: 2010-2012 cycle (including improvements to IFRS 2 – Share-based Payment, IFRS 3 – Business Combinations, IFRS 8 – Operating Segments, IFRS 13 – Fair Value Measurement, IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets, and IAS 24 – Related Party Disclosures). The application of these improvements does not have a material impact on the consolidated financial statements.

The first-time application of IFRIC 21 – Levies from 1 January 2015 represents a change in accounting policy for the Group. Under IFRIC 21, a liability must be recognised when the obligating event occurs (and not based on the tax base for the levy concerned). The impact of applying this interpretation is not material.

I - 2) Accounting conventions

The consolidated financial statements are presented in thousands of euros.
The Group has chosen to measure investment properties using the fair value model (see Note II - 3).

I - 3) Basis of consolidation

The consolidated financial statements include the financial statements of SFL and its subsidiaries. The financial statements of subsidiaries cover the same period as those of SFL and have been prepared according to the same accounting policies. Intra-group transactions are eliminated in consolidation.

Subsidiaries are consolidated from the date when control is acquired and are removed from the scope of consolidation when control is transferred outside the Group. When SFL ceases to exercise control over a subsidiary, the consolidated financial statements include the subsidiary's results for the period from the beginning of the year to the date when control is transferred.

Material companies in which the Group exercises exclusive control, pursuant to the terms of a shareholders' pact, through ownership of the majority of voting rights or otherwise, are fully consolidated.

I - 4) Joint ventures

Joint ventures are accounted for by the equity method. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

After taking control of Parholding and its subsidiaries on 31 December 2012 and signing a new shareholders' pact, SFL no longer has any interests in joint ventures.

I - 5) Associates

Associates are accounted for by the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, less any impairment losses. The Group's consolidated profit includes its share of the associate's profit.

Negative goodwill, corresponding to the excess of the acquisition-date fair value of the Group's interest in the associate's identifiable assets and liabilities over the cost of the shares acquired is recognised directly in the statement of comprehensive income.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

Following the sale of its interest in SIIC de Paris on 23 July 2014 (see Note VI - 4), the Group no longer holds any interests in associates.

I - 6) Business combinations

In accordance with IFRS 3R, the identifiable assets, liabilities, contingent liabilities and off-balance sheet items of entities acquired in a business combination are recognised at their fair values at the acquisition date.

General administrative expenses and other expenses not included in the cost of the business combination are recognised as an expense when incurred.
The excess of the acquisition cost over the acquisition-date fair value of the share of the net assets acquired is recognised as an asset under "Goodwill" in the consolidated statement of financial position. Any negative goodwill arising on the business combination is recognised directly in the statement of comprehensive income.

Acquisitions of property companies that do not meet the definition of a business combination under IFRS 3R are treated as direct acquisitions of the underlying property.

I - 7) Foreign currency translation

The functional and presentation currency of SFL and its subsidiaries is the euro. SFL does not have any foreign currency transactions.

I - 8) Income tax expense

The results of businesses subject to income tax are taxed at the standard rate.

For businesses subject to income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. The Group entities that have elected to be taxed as an SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

II - Measurement Methods

II - 1) Intangible assets

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.
They are amortised by the straight-line method over five years.

II - 2) Property and equipment

Property and equipment consist mainly of furniture, computer equipment and owner-occupied property. Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Washington Plaza building used by the Group for administrative purposes.

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Depreciation is calculated by the straight-line method over the asset's estimated useful life. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Shell	50 to 125 years
Roof, windows, doors	14 to 31 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

The gain or loss arising from derecognition of an item of property or equipment, corresponding to the difference between the net disposal proceeds and the carrying amount of the item, is included in profit when the item is derecognised.

II - 3) Investment properties

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both.

SFL has chosen to measure investment properties using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment properties are measured at fair value and gains or losses arising from changes in fair value are recognised in profit. The properties are not depreciated.

The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair values of investment properties carried in the Group's statement of financial position correspond to the prices obtained from independent valuations performed using the method described below.

Changes in fair value, which are recognised in the statement of comprehensive income under "Fair value adjustments on investment properties", are calculated as follows:
Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

The change in fair value is adjusted to exclude the effects of specific lease terms or provisions recognised under other asset captions and included in the fair value calculation, to avoid these effects being taken into account twice.

Valuation method

The Group's entire property portfolio was valued at 31 December 2015 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.
The valuations were performed in accordance with the *Charte de l'Expertise en Evaluation Immobilière* (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states: "Regardless of the number of independent experts used by the SIIC, the following principles must be upheld:
- Appointments should be based on a selection process evaluating each candidate's independence, qualifications and competency to value property within the asset classes and geographical locations concerned.
- When a firm of valuers is used, the SIIC should ensure that the firm's internal valuation teams are rotated after a period of seven years.
- An independent valuer may serve for no more than two 4-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies."
The Group's portfolio is appraised on a half-yearly basis by a group of three independent firms, each of which is responsible for valuing part of the total portfolio, as follows (the percentages below are determined on the basis of the Group's share of the total value of the properties, excluding transfer costs):
- CBRE: 34%
- Jones Lang LaSalle: 28%
- BNP Paribas Real Estate: 39%

The firms ensure that their internal teams are rotated as required. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them.

The properties are valued primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Assumptions concerning future revenue flows take into account passing rents, estimated market rents for the period beyond the lease expiry dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index (ICC), office rent index (ILAT) and retail rent index (ILC). Each property is analysed in detail, based on the type of use and the surface area of each unit, lease by lease.
Based on information provided by the Group, the valuers noted that rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.
Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs for the period until the units are re-let and any rent-free period expected to be granted. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure to achieve the asset's highest and best use as defined by IFRS 13. Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period.

The results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value. However, given that these appraisal values are essentially estimates that are sensitive to changes in rental values and discount rates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the period-end.

The appraisal values are quoted both including transfer costs (calculated on the basis of a standard 6.2% or 6.9% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs and acquisition expenses. As from 1 January 2016, transfer costs will be calculated on the basis of a standard 7.5% rate for all properties subject to registration duty. The impact of the increased rate has been taken into account in the valuation of the Group's investment property portfolio.

II - 4) Measurement of investment properties at fair value

IFRS 13 – Fair Value Measurement establishes a single definition of fair value and describes all the information concerning fair value to be disclosed in the notes to the financial statements.

Fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The valuation of investment properties (see Note II - 3) takes into account this definition of fair value.

In IFRS 13, fair value measurements are categorised into a three-level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Due to the nature of the investment property market in France and the characteristics of the Group's investment properties, the most meaningful inputs, particularly market rents, investment yields and/or discount rates, represent Level 3 inputs.

However, the Louvre Saint-Honoré building in Paris could not be valued according to its highest and best use. This is because layout changes could lead to an upward revaluation of the building's retail area, but these plans are not yet firm enough to be taken into account in fair value measurements.

II - 5) Recoverable amount of non-current assets

IAS 36 – Impairment of Assets defines the recoverable amount of an asset as being the higher of fair value less the costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.
IAS 36 applies to intangible assets, property and equipment, investments in associates, other financial assets and goodwill. No goodwill is carried in the Group's consolidated statement of financial position.

At each period-end, the Group assesses whether there is any indication that any assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised.
Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value.
The appraisals referred to above serve to identify any impairments of properties or shares in property companies in the calculation of their ANAV.

II - 6) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

II - 7) Investment properties held for sale

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

In practice, investment properties are reclassified as held for sale when their sale has been decided by the Board of Directors or a selling agent has been appointed. They continue to be measured at fair value after reclassification.

No investment properties were classified as held for sale at 31 December 2015.

II - 8) Financial instruments (other than derivatives)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial instruments are initially recognised at fair value.

Purchases and sales of financial instruments are recognised on the transaction date, corresponding to the date when the Group becomes a party to the contractual provisions of the instrument.

Marketable securities held by the Group are measured at fair value at the period-end.

II - 9) Rental receivables

Receivables are initially recognised at fair value and are subsequently measured using the cost model. Provisions for impairment are recognised on a case-by-case basis for the difference between the receivables' carrying amount and recoverable amount.

II - 10) Cash and cash equivalents

Cash and cash equivalents carried in the statement of financial position include cash at bank and on hand and short-term deposits with original maturities of less than three months. They are short-term, highly liquid investments that are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts.
Cash equivalents are measured at fair value, in accordance with IAS 39.

II - 11) Assets held for sale

In accordance with IFRS 5, non-current assets and disposal groups are classified as "held for sale" when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and their sale is highly probable. Assets and disposal groups classified as held for sale are presented separately from other assets or groups of assets and liabilities when their amount is material and are measured at the lower of their carrying amount and fair value less costs to sell.

No assets or groups of assets and liabilities were classified as held for sale at 31 December 2015.

II - 12) Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at cost, corresponding to the fair value of the consideration paid or received, net of directly attributable transaction costs.

Interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost takes into account all debt issuance costs and any difference between the initial amount and the amount at maturity. Finance costs are recalculated based on this amortised cost figure and the related effective interest rate.

II - 13) Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted.
This applies to the exit tax payable in four annual instalments following election for SIIC status.
Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation. The present value measurement is performed using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

II - 14) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the statement of comprehensive income, the provision expense is presented net of the amount recognised for the reimbursement.

II - 15) Employee benefits

Employee benefits consist mainly of length-of-service awards payable to employees on retirement. Long-term employee benefits are recognised in the period in which the qualifying service is rendered by the employee. They are discounted at a rate defined in IAS 19. Short-term employee benefits are recognised in current liabilities and in expenses for the period. They are calculated at six-monthly intervals based on actuarial assumptions. Actuarial gains and losses are included in "Other comprehensive income". The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative.

II - 16) Treasury shares

Treasury shares are recorded as a deduction from equity.

II - 17) Share-based payments (IFRS 2)

The total cost of each performance share plan is calculated at the grant date by multiplying the number of performance share rights that are expected to vest by the fair value per share.
The fair value of the performance shares is determined using the Capital Asset Pricing Model (CAPM), based on the share price on the grant date, adjusted for the discounted present value of future dividends payable during the vesting period. The number of shares expected to vest corresponds to the target number of allocated shares multiplied by the estimated vesting rate, taking into account each plan's specific vesting conditions.
The total cost calculated as explained above is recognised on a straight-line basis over the vesting period. The estimated vesting rate and the resulting estimated total cost are adjusted at each period end to take account of the latest estimate of the number of shares expected to vest.
Details of the Group's performance share plans are provided in Note VI - 22.

II - 18) Finance leases

Finance leases – primarily for the acquisition of property assets – that transfer substantially all the risks and rewards incidental to ownership of the asset are recognised at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is recognised directly in finance costs.
Investment properties acquired under finance leases are measured at fair value at each period-end.

II - 19) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates. These instruments are measured at fair value at each period-end.
Financial instruments are measured using standard market valuation methods – corresponding to Level 2 inputs in the fair value hierarchy (see Note II - 4) – taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.
For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.

For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.

For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.
When a hedging relationship is discontinued, it no longer qualifies for hedge accounting and any subsequent changes in fair value of the hedging instrument are recognised directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity at that date are reclassified ("recycled") to the statement of comprehensive income over the remaining life of the hedged item.

For derivative instruments that do not qualify for hedge accounting, fair value adjustments are recognised in profit.

At 31 December 2015, the Group no longer held any derivative instruments.

II - 20) Accrued taxes

In accordance with IFRIC 21, which has been applicable since 1 January 2015, taxes that are not recoverable from tenants are recognised as soon as the obligation to pay them is triggered.

II - 21) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably. The specific revenue recognition criteria applied by the Group are as follows:

Property rentals

Property rentals from investment properties are recognised on a straight-line basis over the lease term.

Specific lease terms

Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation.

In compliance with IAS 17 and SIC 15, the effects of rent-free periods and step-up clauses are recognised over the non-cancellable lease term.

Key money received by the lessor is recognised in property rentals over the non-cancellable lease term.

Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the terminated lease and are recognised in revenue on the payment date.

Eviction compensation may be paid to secure the departure of a tenant, either to allow renovation work to be performed or so that the property can be re-let at a higher rent. In both cases this has the effect of increasing the asset's value and the compensation is therefore capitalized as part of the cost of the asset.

II - 22) Other revenue sources

Asset sales

Revenue from asset sales is recognised when the significant risks and rewards of ownership of the asset are transferred to the buyer and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised on an accruals basis using the effective interest method, which consists of applying a rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

II - 23) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note II - 3).

All of the Group's financial instruments are measured using standard market valuation models (see Note II - 19).

III - Segment Information

The Group's properties are similar in nature and, although they are managed separately in the same manner, none are large enough to be treated as a separate reportable segment. They are grouped into geographical segments according to the principles previously applied under IAS 14.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Property rentals	133,623	7,543	27,628	–	168,794
Property expenses, net of recoveries	(10,860)	(2,067)	(1,339)	–	(14,266)
Net property rentals	**122,763**	**5,476**	**26,289**	**–**	**154,528**
Other income	644	275	387	1,064	2,370
Depreciation and amortisation expense	–	–	–	(1,143)	(1,143)
Provision (expense)/reversals, net	(222)	–	5	(12)	(229)
Employee benefits expense	–	–	–	(12,623)	(12,623)
Other expenses	–	–	–	(7,605)	(7,605)
Profit on disposal of other assets	5	–	–	9	14
Fair value adjustments on investment properties	405,394	52,054	56,206	–	513,654
Operating profit	**528,584**	**57,805**	**82,887**	**(20,310)**	**648,966**
Finance costs and other financial expenses	–	–	–	(58,352)	(58,352)
Financial income	–	–	–	6,231	6,231
Fair value adjustments on financial instruments	–	–	–	(17,237)	(17,237)
Discounting adjustments to receivables and payables	–	–	–	(228)	(228)
Change in provision for financial assets, net	–	–	–	–	–
Profit before income tax	**528,584**	**57,805**	**82,887**	**(89,896)**	**579,380**
Income tax expense	(27,495)	–	–	(6,750)	(34,245)
Profit for the year	**501,089**	**57,805**	**82,887**	**(96,646)**	**545,135**
Attributable to owners of the parent	**430,485**	**57,805**	**82,887**	**(78,316)**	**492,861**
Attributable to non-controlling interests	70,604	–	–	(18,330)	52,274
Other comprehensive income					
Actuarial gains and losses	–	–	–	151	151
Other	–	–	–	130	130
Items that will not be reclassified to profit or loss	–	–	–	281	281
Valuation gains and losses on financial instruments (cash flow hedges)	–	–	–	8,123	8,123
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	–	–	–	(840)	(840)
Items that may be reclassified subsequently to profit or loss	–	–	–	7,283	7,283
Other comprehensive income	**–**	**–**	**–**	**7,564**	**7,564**
Comprehensive income	**501,089**	**57,805**	**82,887**	**(89,082)**	**552,699**
Attributable to owners of the parent	**430,485**	**57,805**	**82,887**	**(71,551)**	**499,625**
Attributable to non-controlling interests	70,604	–	–	(17,531)	53,074

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Segment assets	4,042,441	371,964	684,092	37,396	5,135,893
Unallocated assets	–	–	–	82,696	82,696
Total assets	**4,042,441**	**371,964**	**684,092**	**120,092**	**5,218,589**

Segment assets correspond mainly to the Group's property assets.

No segment analysis of liabilities is presented, as they correspond primarily to unsecured financing for general corporate purposes and unsecured bonds that are not allocated to any specific segment.

The Group's main geographical segments are as follows:

* **Paris Central Business District:** market comprising the Golden Triangle and the Financial District, spanning parts of the 1st, 2nd, 9th, 8th, 16th and 17th *arrondissements* of Paris. The segment extends from Porte Maillot, avenue de Malakoff and Trocadéro in the west to rue Montmartre and rue du Louvre in the east, and from Porte Champerret, avenue de Villiers and Saint Lazare railway station in the north to rue de Rivoli in the south.

* **Western Crescent:** located to the west of Paris on the other side of the main Paris ring-road, comprising notably Neuilly-sur-Seine, Boulogne-Billancourt, Issy-les-Moulineaux and Levallois-Perret.

* **Other:** corresponding to the rest of Paris, outside the Central Business District.

These geographic segments have been defined by the main Paris-based real estate professionals by combining neighbourhoods with similar economic features.

IV - Significant Events of the Year

IV - 1) Redevelopment and renovation programmes

Remodelling of the #cloud.paris building at 81-83 rue de Richelieu that was launched in the second half of 2012 was completed on time, and the property was delivered in November 2015. As of 31 December 2015, 90% of the 35,000-sq.m property had been let, following the signature of leases with the Exane group, BlaBlacar and Facebook.

The building at 90 Champs-Élysées was delivered as planned on 31 March 2015 to its principal tenant – an international consulting firm – after several months of renovation work.

Renovation work began on the Le Vaisseau building in Issy-les-Moulineaux after the tenant moved out at the end of March 2015, and a lease was signed with Révolution 9 on the entire building (representing over 6,000 sq.m), which came into effect in early 2016 on completion of the renovations.

On 29 June 2015, the Group signed a lease with the Organisation for Economic Cooperation and Development (OECD) on the entire In/Out building in Boulogne-Billancourt, representing some 35,000 sq.m of remodelled and renovated office space. The 12-year lease came into effect on 1 September 2015.

On 30 June 2015, an agreement was signed for the purchase of a property at 9 avenue Percier, Paris 8, from Eurosic for €68 million including transfer costs. The 7,000-sq.m property's main tenant is the EDF Foundation, which occupies 31% of the total surface area.

Following signature of the lease on the entire In/Out building and other marketing successes, including the pre-marketing of part of the #cloud.paris building, Standard & Poor's announced on 2 July 2015 that it was upgrading SFL's long- and short-term ratings to BBB/A2 (from BBB-/A3 previously) with a stable outlook, to reflect these transactions' favourable impact on the Group's financial risk profile.

IV - 2) Financing

In 2015, several bank facilities were obtained:

– In June, a new €50 million, 5-year revolving line of credit was set up with Banco Sabadell.

– In July, a €400 million, 5-year syndicated revolving line of credit was set up with BNP Paribas. This new facility cancels and replaces a previous €400 million syndicated revolving line of credit expiring in July 2018.

– Also in July, the Parholding sub-group obtained a €208 million, 7-year mortgage loan from Natixis, Deka and Deutsche Hypothekenbank. This new loan cancels and replaces a previous mortgage loan that was due in September 2017.

– Amended contracts were signed to the loan agreements for the €150 million credit line obtained from BECM in April 2014 and the €150 million credit line obtained from BPCE in October 2014, narrowing the interest spreads on these lines.

On 16 November 2015, a new €500 million, 7-year, 2.25% bond issue was carried out.

The issue proceeds were used to retire €144.2 million worth of bonds due May 2016 and €99.3 million worth of bonds due November 2017.

These transactions have extended the life of the Group's debt and reduced its borrowing costs, while maintaining a robust liquidity ratio.

IV - 3) Tax audits

Following a tax audit covering the years 2010 to 2012, in 2014 the tax authorities notified the Company of a proposed €2 million reassessment of the tax base that would reduce tax loss carryforwards by the same amount.

The reassessment – which concerns the allocation of expenses between SIIC activities and activities subject to corporate income tax – has been contested by SFL. It had no impact on the 2014 or 2015 consolidated financial statements, because no deferred tax asset had been recognised for the tax loss carryforwards concerned.

IV - 4) Governance

On 27 January 2015, the Board of Directors named Nicolas Reynaud as the Company's Chief Executive Officer. Dimitri Boulte, Chief Operating Officer, was named Managing Director.

IV - 5) Subsequent events

Effective from 1 January 2016, sales of properties completed more than five years previously will be subject to transfer taxes at an overall rate of 7.5% versus 6.2% (Paris) or 6.9% (outside Paris) in 2015. The increase reflects a 0.7-point uplift in transfer taxes on property sales in Paris decided by the Paris Council on 23 November 2015 and the introduction of a 0.6% additional tax on sales of office and retail properties in the Paris region provided for in Article 50 of the amended 2015 Finance Act adopted on 30 December 2015. The impact of these changes on transfer costs has been taken into account in the carrying amount of investment properties in the consolidated statement of financial position.

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage (%)	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	–	–
Fully consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100
SCI Paul Cézanne	438 339 327	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50

Shareholders' pacts give the Group exclusive control over four companies that are 50% owned.
Consequently, since the July 2014 sale of its interest in SIIC de Paris, all subsidiaries are now controlled exclusively and fully consolidated.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.1% of the capital at 31 December 2015.

VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The key items in the statement of financial position and the statement of comprehensive income are analysed below.

VI - 1) Intangible assets

(in thousands of euros)	31 Dec. 2013	Increases	Decreases	Reclassifications	31 Dec. 2014
Cost					
Computer software	4,690	–	(30)	152	4,811
Other	1,020	875	–	(388)	1,507
Accumulated amortisation					
Computer software	(3,825)	(246)	30	–	(4,041)
Other	–	–	–	–	–
Carrying amount	**1,884**	**629**	**–**	**(236)**	**2,277**

(in thousands of euros)	31 Dec. 2014	Increases	Decreases	Reclassifications	31 Dec. 2015
Cost					
Computer software	4,811	–	–	265	5,076
Other	1,507	604	–	(297)	1,814
Accumulated amortisation					
Computer software	(4,041)	(337)	–	–	(4,378)
Other	–	–	–	–	–
Carrying amount	**2,277**	**267**	**–**	**(32)**	**2,512**

VI - 2) Property and equipment

(in thousands of euros)	31 Dec. 2013	Increases	Decreases	Reclassifications	31 Dec. 2014
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other	3,798	696	(78)	81	4,498
Accumulated depreciation					
Owner-occupied property	(1,107)	(434)	–	–	(1,540)
Other	(1,169)	(332)	56	(56)	(1,500)
Carrying amount	**22,760**	**(70)**	**(22)**	**26**	**22,695**

(in thousands of euros)	31 Dec. 2014	Increases	Decreases	Reclassifications	31 Dec. 2015
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other	4,498	275	(407)	436	4,802
Accumulated depreciation					
Owner-occupied property	(1,540)	(421)	–	–	(1,962)
Other	(1,500)	(384)	7	–	(1,878)
Carrying amount	**22,695**	**(530)**	**(400)**	**436**	**22,200**

The appraisal value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €36,153 thousand at 31 December 2015 and €29,345 thousand at 31 December 2014.

VI - 3) Investment properties

(in thousands of euros)	31 Dec. 2013	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Changes in scope of consolidation	31 Dec. 2014
Fair value								
Investment properties	3,810,524	124,685	239,300	–	(11,758)	(22)	230,038	4,392,767
Total	**3,810,524**	**124,685**	**239,300**	**–**	**(11,758)**	**(22)**	**230,038**	**4,392,767**

(in thousands of euros)	31 Dec. 2014	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Changes in scope of consolidation	31 Dec. 2015
Fair value								
Investment properties	4,392,767	192,465	513,658	–	(4)	(452)	62	5,098,496
Total	**4,392,767**	**192,465**	**513,658**	**–**	**(4)**	**(452)**	**62**	**5,098,496**

Reconciliation of the appraisal value of investment properties to their fair value in the statement of financial position

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Appraisal value of investment properties, excluding transfer costs	5,242,406	4,465,726	3,874,348
Deduction of investment property (see Note VI - 2)	(36,153)	(29,345)	(28,324)
Adjustments to reflect specific lease terms	(59,071)	(43,614)	(35,500)
Adjustment to take into account the increase in transfer costs effective 1 January 2016 (see Note IV - 5)	(48,686)	–	–
Fair value of investment properties in the statement of financial position	**5,098,496**	**4,392,767**	**3,810,524**

Investment properties are valued by independent experts at half-yearly intervals. The valuations are based on unobservable inputs categorised as Level 3 in the fair value hierarchy defined in IFRS 13. Given the nature of SFL's business, the characteristics of its properties and the associated risks, asset classes are based on geographical location.

The table below shows the fair value measurement parameters for each asset class:

Geographic area	Value excluding transfer costs 31 Dec. 2015 (in € millions, on a 100% basis)	Parameters	Range of values(1)	Weighted average(1)
Paris Central Business District	4,166	Market rent for offices	€500-€810	€625
		Exit yield	3.50%-4.25%	3.95%
		Discount rate	4.50%-5.75%	4.94%
Other Paris	699	Market rent for offices	€450-€680	€546
		Exit yield	4.00%-4.75%	4.33%
		Discount rate	4.95%-5.25%	5.06%
Western Crescent	377	Market rent for offices	€300-€450	€436
		Exit yield	4.75%-5.35%	4.87%
		Discount rate	5.75%-6.25%	5.79%
Total	**5,242**			

(1) Offices.

A 25-bps increase in the exit yield combined with a 25-bps increase in the discount rate would have the effect of reducing the portfolio's appraisal value by €319,820 thousand, while a 25-bps decrease in the exit yield combined with a 25-bps decrease in the discount rate would have the effect of increasing the portfolio's appraisal value by €363,580 thousand.

VI - 4) Investments in associates

Since the sale of its interest in SIIC de Paris on 23 July 2014, SFL no longer holds any investments in associates.

VI - 5) Financial assets

(in thousands of euros)	31 Dec. 2013	31 Dec. 2014	Increases	Impairment losses recognised	Decreases	Impairment losses reversed	31 Dec. 2015
Investments in non-consolidated companies	1,071	1,071	–	–	–	–	1,071
Provisions for impairment	(1,071)	(1,071)	–	–	–	–	(1,071)
Investments in non-consolidated companies, net	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deposits	692	716	5	–	(25)	–	696
Hedging instruments	–	–	–	–	–	–	–
Total	**692**	**716**	**5**	**–**	**(25)**	**–**	**696**

Investments in non-consolidated companies concern the Vendôme-Rome Group. This investment has been written down in full since 31 December 2010.

VI - 6) Other non-current assets

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Deferred tax assets	145	6	6
Other receivables	156	126	208
Prepayments	–	6,580	6,669
Total	**301**	**6,713**	**6,884**

Deferred tax assets are analysed in Note VI - 30.
Prepayments correspond mainly to advances paid on long-term contracts for building restructuring work.

VI - 7) Trade and other receivables

(in thousands of euros)	31 Dec. 2015			31 Dec. 2014	31 Dec. 2013
	Total	Due within 1 year	Due in 1 year or more		
Trade receivables	70,239	16,335	53,904	53,477	44,130
Provisions	(3,116)	–	(3,116)	(1,677)	(1,933)
Trade receivables	**67,123**	**16,335**	**50,788**	**51,800**	**42,197**
Prepayments to suppliers	14	14	–	36	30
Employee advances	52	52	–	42	39
Tax receivables (other than income tax)	11,565	11,565	–	13,628	19,002
Other operating receivables	2,628	2,628	–	1,958	1,569
Other receivables	69	69	–	146	176
Other receivables	**14,328**	**14,328**	–	**15,810**	**20,817**
Total	**81,451**	**30,663**	**50,788**	**67,610**	**63,014**

Trade receivables include €59,071 thousand (of which €9,836 thousand reported under current assets) corresponding to the impact of rent-free periods and other special lease terms that is deferred over the non-cancellable lease term in accordance with IFRS. Receivables do not bear interest.

Provisions for cost of risk can be analysed as follows:

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Increases in provisions	(124)	(88)	(434)
Reversals of provisions	73	328	818
Bad debt write-offs, net of recoveries	(35)	(14)	(2)
Total	**(86)**	**227**	**382**
Property rentals	168,794	151,508	149,315
Net losses as a % of property rentals	**0.05%**	**(0.15%)**	**(0.26%)**

VI - 8) Other current assets

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Income tax prepayments	146	131	1,345
Other prepayments	300	1,179	249
Total	**446**	**1,310**	**1,594**

VI - 9) Cash and cash equivalents

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Cash at bank and in hand	11,399	3,800	344
Short-term investments	1,088	13,291	28,688
Total	**12,487**	**17,091**	**29,032**

Short-term investments are measured at fair value. They break down as follows:

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Rothschild money market fund	1,088	974	1,397
Société Générale money market fund	–	143	–
Crédit Agricole money market fund	–	3,066	10,271
Natixis money market fund	–	9,108	17,019
Total	**1,088**	**13,291**	**28,688**

VI - 10) Equity

The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2. Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

(in thousands of euros)	31 Dec. 2013	31 Dec. 2014	Increases	Decreases	31 Dec. 2015
Number of shares	439,531	426,695	99,093	(148,323)	377,465
Average purchase/sale price (in €)	€57.51	€57.59	€41.44	€40.45	€60.08
Total	**25,276**	**24,572**	**4,106**	**(6,000)**	**22,678**

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

VI - 11) Short- and long-term interest-bearing debt

	Effective interest rate	Expiry date	Short-term portion			Long-term portion		
			31 Dec. 2015	31 Dec. 2014	31 Dec. 2013	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Bonds								
€500 million 4.625% bond issue, 2011-2016	4.625%	25 May 2016	160,151	8,401	14,001	–	300,000	500,000
€500 million 3.50% bond issue, 2012-2017	3.50%	28 Nov. 2017	978	1,304	1,630	300,700	400,000	500,000
€500 million 1.875% bond issue, 2014-2021	1.875%	26 Nov. 2021	922	925	–	500,000	500,000	–
€500 million 2.25% bond issue, 2015-2022	2.25%	16 Nov. 2022	1,414	–	–	500,000	–	–
Bank loans								
Banco Sabadell	3-month Euribor + spread (end of drawdown period)	18 June 2020	–	–	–	–	–	–
BPCE loan	3-month Euribor + spread (end of drawdown period)	29 Oct. 2019	–	–	–	–	–	–
BNP Paribas syndicated loan	3-month Euribor + spread (end of drawdown period)	7 July 2020	–	–	149	–	–	50,000
2007 BECM loan	1-month Euribor + spread (end of drawdown period)	23 April 2014	–	–	150,013	–	–	–
2014 BECM loan	Euribor + spread (end of drawdown period)	23 April 2019	119	236	–	140,000	100,000	–
Cadif loan	1-month Euribor + spread (end of drawdown period)		–	30,001	18,001	–	–	–
Natixis – Deka – Deutsche Hypotheken loan	1.571%	16 July 2022	2,650	2,990	2,789	205,400	199,883	202,199
Lease liabilities								
131 Wagram	3-month Euribor + spread (calendar quarter end)	14 June 2016	27,271	2,790	2,790	–	27,271	30,061
Hedging instruments with a negative fair value								
Natixis – Deka – Nord LB swaps	0.8825%	16 July 2015	–	253	208	–	4,012	639
Bank overdrafts	Various		22,057	26,360	30,576	–	–	–
Current account advances	Various		132	153	365	67,546	70,016	71,994
Impact of deferred recognition of debt arranging fees			(2,641)	(3,628)	(4,262)	(9,095)	(8,770)	(9,570)
Total			**213,053**	**69,785**	**216,260**	**1,704,551**	**1,592,412**	**1,345,323**

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2015	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2014
Bonds	1,464,165	163,465	300,700	1,000,000	1,210,630
BECM loan	140,119	119	140,000	–	100,236
Natixis – Deka – Deutsche Hypotheken loan	208,050	2,650	8,320	197,080	202,873
Lease financing	27,271	27,271	–	–	30,061
Cadif loan	–	–	–	–	30,001
Current account advances	67,678	132	67,546	–	70,169
Deferred debt arranging fees	(11,736)	(2,641)	(7,384)	(1,711)	(12,398)
Natixis – Deka – Nord LB swaps	–	–	–	–	4,265
Bank overdrafts	22,057	22,057	–	–	26,360
Total	**1,917,604**	**213,053**	**509,182**	**1,195,369**	**1,662,197**

At 31 December 2015, SFL had access to confirmed undrawn lines of credit representing €610 million compared with €600 million at 31 December 2014 (see Note VI - 34).
Current account advances correspond to Prédica's minority interest in SCI Washington and SAS Parholding.
Hedging instruments at 31 December 2014 corresponded to the instruments' fair value (including credit risk plus accrued interest).

Debt covenants and acceleration clauses are as follows:

Credit facility	Applicable ratios	Actual ratios at 31 Dec. 2015	Actual ratios at 31 Dec. 2014	Early repayment clauses[1]
BPCE loan	Loan-to-value (LTV) <= 50%	33.4%	33.4%	Loan default
				Cross default
	Interest cover >= 2x	2.6	2.2	Termination of operations
				Bankruptcy proceedings
	Secured LTV <= 20%	4.3%	4.9%	Breach of financial covenants
				Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	€4.6bn	€3.9bn	Material adverse event
BNP Paribas syndicated loan	Loan-to-value (LTV) <= 50%	33.4%	33.4%	Loan default
				Cross default
	Interest cover >= 2x	2.6	2.2	Termination of operations
				Bankruptcy proceedings
	Secured LTV <= 20%	4.3%	4.9%	Breach of financial covenants
				Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	€4.6bn	€3.9bn	Material adverse event
BECM loan	Loan-to-value (LTV) <= 50%	33.4%	33.4%	Loan default
				Cross default
	Interest cover >= 2x	2.6	2.2	Termination of operations
				Bankruptcy proceedings
	Secured LTV <=20%	4.3%	4.9%	Breach of financial covenants
				Loss of SIIC status
	Property portfolio value >= €2bn	€4.6bn	€3.9bn	Material adverse event
Banco Sabadell loan	Loan-to-value (LTV) <= 50%	33.4%	–	Loan default
				Termination of operations
	Interest cover >= 2x	2.6	–	Bankruptcy proceedings
				Breach of financial covenants
	Secured LTV <= 20%	4.3%	–	Material adverse event
	Property portfolio value >= €2bn	€4.6bn	–	

(1) Non-exhaustive.

The Group was not in breach of any of its financial covenants at 31 December 2015.

VI - 12) Short- and long-term provisions

(in thousands of euros)	31 Dec. 2013	31 Dec. 2014	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	31 Dec. 2015
Provisions for employee benefits	582	1,112	92	(42)	–	(151)	1,011
Long-term provisions	**582**	**1,112**	**92**	**(42)**	**–**	**(151)**	**1,011**
Provisions for refurbishment work and tenant claims	181	118	167	–	–	–	284
Provisions for employee benefits	303	324	148	(186)	–	–	286
Short-term provisions	**484**	**442**	**315**	**(186)**	**–**	**–**	**570**
Total	**1,066**	**1,554**	**407**	**(228)**	**–**	**(151)**	**1,581**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,011 thousand, breaking down as follows:

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014
Projected benefit obligation at 1 January	**1,112**	**582**
Service cost	78	37
Interest cost	(28)	49
Actuarial gains and losses	(151)	444
Projected benefit obligation at 31 December	**1,011**	**1,112**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 2.03% (1.49% at 31 December 2014) and a 2.00% rate of future salary increases (2.00% at 31 December 2014). Actuarial gains and losses are recognised in equity.
A 0.25-point reduction in the discount rate at 31 December 2015 would lead to a €21 thousand increase in the projected benefit obligation at that date.

The Group's employee benefit plans are as follows:
– Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
– Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
– Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years' service with SFL, and one month's salary to caretakers who complete 25 years' service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €14 thousand at 31 December 2015 and €41 thousand at 31 December 2014.

Provisions are recorded in the financial statements if, and only if, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

VI - 13) Deferred taxes

See Note VI - 30.

VI - 14) Long-term tax liabilities

Due	2016	2017	Total
Amount payable	–	2,857	2,857

This item corresponds mainly to the exit tax due as a result of the exercise, in October 2013, of the finance lease purchase option on the Rives de Seine property. The €11.8 million tax liability is payable in four annual instalments between 2014 and 2017 and has been discounted.

VI - 15) Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

VI - 16) Trade and other payables

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Trade payables	6,386	8,608	5,717
Amounts due within one year on asset acquisitions	12,491	31,539	30,764
Total	**18,877**	**40,147**	**36,481**

At 31 December 2015, amounts due within one year on asset acquisitions mainly concerned buildings undergoing redevelopment, including Édouard VII and Le Vaisseau.

VI - 17) Other current liabilities

Other current liabilities break down as follows:

(in thousands of euros)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2013
Deposits	2,652	1,515	1,515
Customer prepayments	19,424	14,310	12,400
Accrued payroll costs	4,776	4,765	4,873
Accrued taxes	6,891	8,228	6,831
Other liabilities	2,716	3,416	3,297
Accruals	5,496	4,411	6,528
Total	**41,955**	**36,647**	**35,443**

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.
Accrued taxes include the exit tax instalment due in 2016 and related to the Rives de Seine building in Paris.
The amounts reported under "Accruals" correspond to deferred revenue.

VI - 18) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 98.6% of property rentals. Net property rentals take into account the net positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In 2015, this impact was €17,573 thousand.
Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Property rentals	1,047,362	193,921	556,563	296,878

(in thousands of euros)	2015	2014	2013
Property rentals	**168,794**	**151,508**	**149,315**
Property operating expenses	(43,305)	(38,299)	(40,710)
Property expenses recovered from tenants	29,039	26,436	28,412
Property expenses, net of recoveries	**(14,266)**	**(11,863)**	**(12,298)**
Net property rentals	**154,528**	**139,645**	**137,017**

VI - 19) Other income

(in thousands of euros)	2015	2014	2013
Own-work capitalised	999	1,164	792
Other income	1,371	768	1,687
Total	**2,370**	**1,932**	**2,479**

The caption "Other income" corresponds to work billed to third parties and redevelopment project management fees.

VI - 20) Depreciation and amortisation expense

(in thousands of euros)	2015	2014	2013
Amortisation of intangible assets	(337)	(246)	(278)
Depreciation of property and equipment	(806)	(765)	(740)
Total	**(1,143)**	**(1,011)**	**(1,018)**

Amortisation of intangible assets relates to computer software, and depreciation of property and equipment concerns owner-occupied property (corresponding to the Group's headquarters) and miscellaneous equipment.

VI - 21) Provision (expense)/reversals, net

(in thousands of euros)	2015	2014	2013
Charges to provisions for impairment of current assets	(124)	(88)	(434)
Charges to provisions for operating contingencies and charges	(166)	(118)	(15)
Charges to provisions for other contingencies and charges	(239)	(108)	(213)
Total charges	**(529)**	**(313)**	**(662)**
Reversals of provisions for impairment of current assets	73	328	818
Reversals of provisions for operating contingencies and charges	–	181	–
Reversals of provisions for other contingencies and charges	227	–	1,255
Total reversals	**300**	**509**	**2,073**
Net	**(229)**	**196**	**1,411**

VI - 22) Employee benefits expense

(in thousands of euros)	2015	2014	2013
Wages and salaries	(6,211)	(6,822)	(7,173)
Payroll taxes	(3,520)	(3,453)	(3,445)
Other employee benefits	(2,058)	(670)	(806)
Statutory and discretionary profit-sharing	(834)	(672)	(175)
Total	**(12,623)**	**(11,617)**	**(11,599)**

The Group had 71 administrative staff and 2 building staff at 31 December 2015 (73 administrative staff and 2 building staff at 31 December 2014).

Details of performance share plans at 31 December 2015

	Plan no. 1		Plan no. 3
Date of shareholder authorisation	9 May 2011		22 April 2015
Grant date (date of Board meeting)	5 March 2013	4 March 2014	17 June 2015
Initial target number of shares	35,144	33,981	27,328
Initial expected vesting rate	70.83%	70.83%	70.83%
Initial number of shares expected to vest	24,892	24,069	19,356
Fair value per share	€31.65	€31.48	€36.08
Rights cancelled/forfeited	(10,866)	(16,012)	(1,602)
Expected vesting rate at 31 December 2015	150.00%	100.00%	100.00%
Number of shares expected to vest at 31 December 2015	**36,418**	**17,969**	**25,726**

Main features of the plans

The plans' main features are as follows:
The shares will vest only if the grantee is still employed by the Group on the vesting date.
- Performance target: the number of shares that vest depends on SFL's ranking among a group of six listed property companies based on growth in consolidated ANAV per share.
- The performance shares will vest 10 business days (plan no. 1) or 15 business days (plan no. 3) after the publication by the last of the Reference Companies to do so, of a press release announcing its results for the third financial year after the grant date.
- Lock-up period: the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

Accounting treatment

The expected vesting rate is adjusted to reflect SFL's most probable ranking at the end of the vesting period. At 31 December 2015, the rates applied were 150% for the 2013 plan (probable ranking: no. 1) and 100% for the 2014 and 2015 plans (probable ranking: no. 3).
During the first half of 2015, 44,375 performance shares vested under the 2012 plan no. 1.
The cost of performance share plans recognised in 2015 amounted to €1,864 thousand (excluding specific employer contributions).

VI - 23) Other expenses

(in thousands of euros)	2015	2014	2013
Purchases	(96)	(95)	(109)
General subcontracting	(538)	(506)	(334)
Rent (operating leases)	(1,023)	(1,076)	(1,100)
Maintenance and repairs	(168)	(146)	(171)
Fees	(1,707)	(1,921)	(1,893)
Publications and public relations	(401)	(676)	(852)
Bank charges	(523)	(270)	(269)
Taxes other than on income	(1,365)	(1,271)	(1,791)
Travel and entertainment	(375)	(337)	(340)
Non-recurring expenses	(104)	(130)	(270)
Other	(1,305)	(1,186)	(1,347)
Total	**(7,605)**	**(7,615)**	**(8,476)**

VI - 24) Profit on disposal of other assets

Profit on disposal of other assets for 2014 corresponded mainly to the capital gain realised on the sale of the Group's interest in SIIC de Paris (see Note VI - 4).

VI - 25) Fair value adjustments on investment properties

Details of fair value adjustments on investment properties at fair value are provided in Note VI - 3.

VI - 26) Share of profits/(losses) of associates

The €2,176 thousand loss reported under this caption in 2014 corresponded to SFL's share of SIIC de Paris' loss for the period up to the date of sale in July 2014.

VI - 27) Finance costs and other financial income and expenses

(in thousands of euros)	2015	2014	2013
Interest on bonds and bank loans	(48,210)	(54,309)	(53,302)
Interest on lease liabilities	(639)	(819)	(1,372)
Interest on external current account advances	(568)	(733)	(720)
Hedging losses	(854)	(1,194)	(3,124)
Other financial expenses	(8,081)	(6,489)	(5,751)
Finance costs and other financial expenses	**(58,352)**	**(63,546)**	**(64,268)**
Interest income	109	9	22
Net gains on sales of short-term investments	14	129	61
Hedging gains	–	–	–
Financial expense transfers	6,048	7,473	10,937
Other financial income	60	103	164
Financial income	**6,231**	**7,715**	**11,184**
Finance costs and other financial income and expenses, net	**(52,121)**	**(55,831)**	**(53,085)**

Financial expense transfers for 2015 correspond to interest expense on the debt allocated to the financing of remodelling work on the #cloud.paris building, capitalised at the rate of 2.77%.

VI - 28) Financial instruments

Gains and losses arising from remeasurement at fair value of financial instruments

(in thousands of euros)	2015	2014	2013
Equalising payments on bond buybacks	(9,515)	(22,384)	-
Interest rate hedges	(7,722)	(8,407)	(18,158)
Total	**(17,237)**	**(30,791)**	**(18,158)**

Bond redemption

In November 2015, SFL redeemed €243.5 million worth of bonds due May 2016 and November 2017, triggering an equalising payment of €9,515 thousand.

Interest rate hedges

The Group did not have any interest rate hedges at 31 December 2015.

At 31 December 2014, the Group's hedging portfolio consisted of interest rate hedges on the Parholding sub-group's financing with a negative fair value of €4,012 thousand (including credit risk). When the new mortgage loan was set up in July 2015 (see Note IV - 2), the swaps, which would normally have expired in 2017, were unwound and a cash payment of €3,612 thousand was made.

The accounting entries recorded in 2015 correspond to (i) the €400 thousand increase in the portfolio's fair value up to the date when the swaps were unwound (€425 thousand recorded in equity less €24 thousand recorded as an expense) and (ii) the €3,612 thousand cost of cancelling the swaps, which was recognised by adjusting equity.

In addition, the fair value adjustments to the swaps accumulated in equity were reclassified to the statement of comprehensive income, for a net expense of €4,085 thousand.

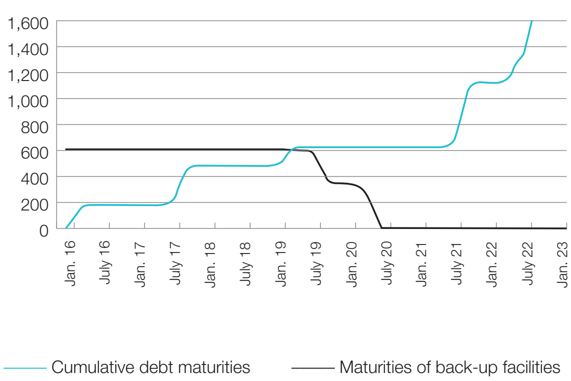
In all, the impact of these hedging instruments in 2015 was a €7,722 thousand reduction in profit and an €8,123 thousand increase in equity.

Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2015, SFL had access to confirmed undrawn lines of credit representing €610 million compared with €600 million at 31 December 2014. As shown in the graph below, the liquidity represented by these back-up facilities is sufficient to cover the Group's repayment obligations under its lines of credit up until April 2019.



With its available credit lines, diversified debt structure and the quality of its assets, the Group manages its liquidity risk prudently and effectively.

The acceleration clauses contained in the facility agreements are presented in Note VI - 11.

2 - Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. The contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasized that these same banks finance a portion of the Group's debt. Counterparty risk is minimal because available cash is generally used to repay borrowings under the revolving lines of credit. The rental deposits obtained from tenants offer protection against the risk of rent default. The Group considers that its exposure to counterparty risk on operations is not material.

3 - Market risk

The Group had no exposure to currency risks at 31 December 2015. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with interest rate fluctuations.

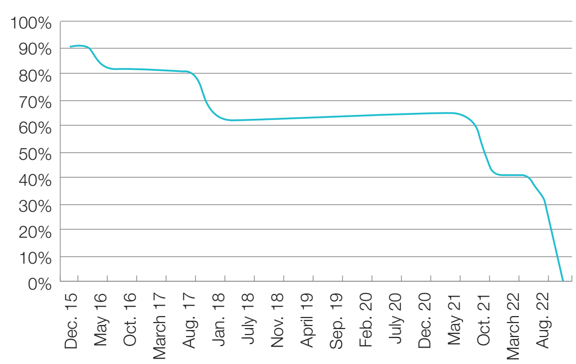
a/ Objectives and strategy

Standard interest rate derivatives and fixed rate borrowings are used with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives. Steeper or flatter yield curves, market volatility, intrinsic interest rate levels and expected interest rate trends influence the choice of hedging instruments.

The new €500 million 2.25% bond issue has enabled the Group to obtain a historically low 7-year interest rate.

At 31 December 2015, 91% of debt was hedged against interest rate risks.

SFL debt hedging rate 2015-2022



b/ Risk assessment

The average spot cost of debt after hedging stood at 2.36% at 31 December 2015, versus 2.86% at 31 December 2014.

A 50-basis point rise in interest rates across the yield curve in 2015 would have had the effect of increasing the average cost of debt to 2.41%, driving up finance costs by €927 thousand, representing 1.6% of annual financial expense. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 2.32%, and reduced finance costs by €741 thousand, or 1.3% of annual financial expense.

c/ Interest rate risk

The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk at 31 December 2015.

Floating rate debt (in thousands of euros)	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
BECM loan	–	–	–	140,000	–	–	140,000
Lease liabilities	27,271	–	–	–	–	–	27,271
Current account advances	–	67,546	–	–	–	–	67,546
Total	**27,271**	**67,546**	**–**	**140,000**	**–**	**–**	**234,817**

The other financial instruments used by the Group are not listed in the above table because they do not bear interest and are therefore not exposed to any interest rate risk.

Net unhedged position

The Group's net exposure to interest rate risks can be analysed as follows for the period between 31 December 2015 and 31 December 2019:

(in thousands of euros)	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
BECM revolving facility	140,000	140,000	140,000	140,000	–
Lease liabilities	27,271	–	–	–	–
Current account advances	67,546	67,546	–	–	–
Total floating rate debt	**234,817**	**207,546**	**140,000**	**140,000**	**–**
Net unhedged position	**234,817**	**207,546**	**140,000**	**140,000**	**–**

Fair value of bonds

The fair value of the Group's outstanding bond issues at 31 December 2015 was €1,479,228 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	Fair value
May 2011 bonds	155,800	May 2016	158,479
November 2012 bonds	300,700	Nov. 2017	316,538
November 2014 bonds	500,000	Nov. 2021	500,333
November 2015 bonds	500,000	Nov. 2022	503,878
Total	**1,456,500**		**1,479,228**

VI - 29) Change in provisions for financial assets, net

There were no movements on provisions on financial assets in 2015.

VI - 30) Income tax expense

The election for taxation as an SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern partnerships that are not eligible for taxation as an SIIC and assets under finance leases arranged prior to 1 January 2005.

Deferred taxes recognised in the statement of comprehensive income, calculated at the tax rate applicable at the period-end, consist mainly of the following:

(in thousands of euros)	Statement of financial position 31 Dec. 2013	Statement of financial position 31 Dec. 2014	Equity	Statement of comprehensive income	Statement of financial position 31 Dec. 2015
Fair value adjustments on investment properties	(118,217)	(139,386)	–	(25,300)	(164,686)
Hedging instruments	220	1,382	(840)	(542)	–
Adjustment of depreciation	(13,141)	(15,291)	–	(1,941)	(17,232)
Adjustment of property rentals	(1,996)	(1,502)	–	(2,194)	(3,696)
Capitalisation of interest expense and transaction costs	(501)	(521)	–	–	(521)
Other	(259)	(848)	–	139	(709)
Net	**(133,894)**	**(156,166)**	**(840)**	**(29,838)**	**(186,844)**
Of which: deferred tax assets	6	6	–	139	145
Of which: deferred tax liabilities	(133,902)	(156,174)	(840)	(29,977)	(186,991)

Current income tax expense for the year amounted to €4,406 thousand in 2015 and €4,500 thousand in 2014, corresponding mainly to the tax due by the Parholding tax group.

VI - 31) Non-controlling interests in net profit

(in thousands of euros)	2015	2014	2013
SCI Washington	**28,051**	**17,990**	**10,059**
Property rentals	*6,336*	*7,204*	*6,462*
Fair value adjustments on investment properties	*22,348*	*11,002*	*4,241*
Net financial expense	*(375)*	*(485)*	*(468)*
Parholding sub-group	**24,223**	**24,501**	**25,378**
Property rentals	*14,436*	*13,048*	*13,043*
Fair value adjustments on investment properties	*28,094*	*29,474*	*30,150*
Net financial expense	*(4,385)*	*(3,001)*	*(3,047)*
Deferred tax	*(11,261)*	*(11,466)*	*(12,490)*
Current tax	*(1,963)*	*(2,006)*	*(944)*
Total	**52,274**	**42,491**	**35,437**

VI - 32) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period, net of treasury shares held at the period-end.

(in thousands of euros)	2015	2014	2013
Profit used to calculate basic earnings per share	492,861	197,737	147,259
Number of ordinary shares at 31 December	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(377,465)	(426,695)	(439,531)
Number of ordinary shares at 31 December excluding treasury shares	46,151,509	46,102,279	46,089,443
Earnings per share	**€10.68**	**€4.29**	**€3.20**
Weighted average number of ordinary shares	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(377,465)	(426,695)	(439,531)
Weighted average number of ordinary shares excluding treasury shares	46,151,509	46,102,279	46,089,443
Basic earnings per weighted average share	**€10.68**	**€4.29**	**€3.20**

There were no other transactions on ordinary shares or potential ordinary shares between the period-end and the date when these financial statements were drawn up.

VI - 33) Dividends

(in thousands of euros)	2015		2014		2013	
	Paid	Per share	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	64,624	€1.40	64,542	€1.40	64,520	€1.40
Special distribution paid in current year	48,467	€1.05	32,268	€0.70	–	–
Current year interim dividend	–	–	–	–	32,254	€0.70
Total	**113,091**	**€2.45**	**96,810**	**€2.10**	**96,774**	**€2.10**

VI - 34) Off-balance sheet commitments

Standard mortgage

(in thousands of euros)

Company		Pargal	Parchamps	Parhaus	Total
Expiry date		16 July 2023	16 July 2023	16 July 2023	
Registered by Deutsche Hypothekenbank	Principal	32,000	15,000	22,333	69,333
	Costs and incidentals	2,240	1,050	1,563	4,853
	Total	**34,240**	**16,050**	**23,896**	**74,186**
Registered by Natixis	Principal	32,000	15,000	22,333	69,333
	Costs and incidentals	2,240	1,050	1,563	4,853
	Total	**34,240**	**16,050**	**23,896**	**74,186**
Registered by Deka	Principal	32,000	15,000	22,333	69,333
	Costs and incidentals	2,240	1,050	1,563	4,853
	Total	**34,240**	**16,050**	**23,896**	**74,186**
Total		**102,720**	**48,150**	**71,688**	**222,558**

Guarantees

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
Property guarantees	541	541	–	–
Commitments received				
Guarantees received from tenants	71,307	24,407	10,790	36,110
Guarantees received from suppliers	38,579	38,579	–	–
Total commitments received	**109,886**	**62,986**	**10,790**	**36,110**

Undrawn confirmed lines of credit

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
BPCE loan	150,000	–	150,000	–
BNP Paribas loan	400,000	–	400,000	–
BECM loan	10,000	–	10,000	–
Banco Sabadell loan	50,000	–	50,000	–
Total	**610,000**	**–**	**610,000**	**–**

Employee benefit obligations

Two employees (including one person who is also an officer of the Company) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the shareholder base of SFL or its controlling company. An officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he is dismissed from his position for reasons other than gross or wilful misconduct.

At 31 December 2015, the aggregate compensation that would be payable to these individuals amounted to €2,001 thousand.
The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006, 4 April 2008 and 27 January 2015.
No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 31 December 2015, the Group's contractual commitments relating to investment properties undergoing renovation totalled €32,929 thousand (€81,730 thousand at 31 December 2014) of which €30,007 thousand concerned the Louvre Saint-Honoré property, #cloud.paris and In/Out.

VI - 35) Note to the statement of cash flows

(in thousands of euros)	2015	2014	2013
Acquisitions of and improvements to investment properties			
Purchase price	(63,900)	(229,438)	–
Transaction costs	(3,655)	(600)	–
Work	(131,391)	(116,438)	(131,993)
Total	**(198,946)**	**(346,476)**	**(131,993)**
Acquisitions of subsidiaries, net of the cash acquired			
Purchase price	–	–	–
Cash acquired	–	–	–
Total	**–**	**–**	**–**
Proceeds from disposals of investment properties, intangible assets and property and equipment			
Sale price	414	12	290,371
Transaction costs	–	–	(262)
Capital gains tax	–	–	–
Total	**414**	**12**	**290,109**
Proceeds from disposals of subsidiaries, net of the cash sold			
Sale price	–	304,937	–
Transaction costs	–	(1,586)	–
Capital gains tax	–	–	–
Total	**–**	**303,351**	**–**
Cash and cash equivalents at end of period			
Short-term investments	1,088	13,290	28,688
Cash at bank and in hand	11,399	3,800	344
Bank overdrafts	(22,057)	(26,360)	(30,576)
Total	**(9,570)**	**(9,270)**	**(1,544)**

The impact of deferring recognition of rent-free periods is included in "Cash flow" along with additions to and reversals of provisions for impairment of trade receivables.

VI - 36) Related party information

The remuneration paid to the members of the Board of Directors and Management Committee breaks down as follows:

(in thousands of euros)	2015	2014	2013
Short-term benefits, excluding payroll taxes(1)	2,571	3,712	3,480
Payroll taxes on short-term benefits	938	1,485	1,610
Share-based payments(2)	1,390	375	471
Directors' fees	325	323	342
Total	**5,224**	**5,895**	**5,903**

(1) Gross salary and other remuneration, bonuses, discretionary and non-discretionary profit-sharing, matching Company payments and termination benefits paid during the period.

(2) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

Company Financial Statements for the Year Ended 31 December 2015

Company Financial Statements for the Year Ended 31 December 2015

Company Financial Statements for the Year Ended 31 December 2015

Balance Sheet

ASSETS

(in €)	31 Dec. 2015 Total	Depreciation, amortisation and provisions	Net	31 Dec. 2014 Net
NON-CURRENT ASSETS				
Intangible assets				
Start-up costs				
Software	5,030,895	4,378,443	652,452	725,157
Lease premiums and goodwill(1)	52,217,467	–	52,217,467	52,217,467
Other	–	–	–	–
Intangible assets in progress	1,790,496	–	1,790,496	1,479,371
Property and equipment				
Land	644,334,005	3,049,051	641,284,954	579,415,851
Buildings	1,026,013,694	174,512,108	851,501,586	627,607,986
Other	4,102,304	1,800,282	2,302,022	2,409,807
Assets under construction	74,744,556	–	74,744,556	223,287,468
Prepayments to suppliers of property and equipment	–	–	–	6,531,134
Non-current financial assets(2)				
Shares in subsidiaries and affiliates	393,871,912	2,286,948	391,584,964	391,584,964
Advances to subsidiaries and affiliates	27,184,801	–	27,184,801	22,496,806
Other long-term investments	–	–	–	–
Loans	992,128	–	992,128	3,189,744
Other	702,952	–	702,952	720,717
Total I	**2,230,985,210**	**186,026,832**	**2,044,958,378**	**1,911,666,472**
CURRENT ASSETS				
Inventories and work in progress				
Receivables(3)				
Prepayments to suppliers	13,891	–	13,891	36,459
Rental receivables	6,652,887	2,898,316	3,754,571	4,280,351
Other	517,294,070	–	517,294,070	535,213,998
Current financial assets				
Treasury shares	20,175,435	4,172,360	16,003,075	15,399,404
Other marketable securities	1,088,019	–	1,088,019	973,098
Cash equivalents	–	–	–	–
Cash at bank and in hand	202,625	–	202,625	411,814
Prepaid expenses	189,581	–	189,581	736,211
Total II	**545,616,508**	**7,070,676**	**538,545,832**	**557,051,335**
Deferred charges (III)	**7,889,551**	**–**	**7,889,551**	**8,552,573**
Debt redemption premiums (IV)	**1,822,327**	**–**	**1,822,327**	**2,016,129**
Total Assets (I + II + III + IV)	**2,786,313,596**	**193,097,508**	**2,593,216,088**	**2,479,286,509**
(1) Of which, lease premiums				
(2) Of which, due within one year (gross)			*28,176,929*	*24,694,422*
(3) Of which, due beyond one year (gross)			*513,135,241*	*530,348,035*

EQUITY AND LIABILITIES

(in €)	31 Dec. 2015	31 Dec. 2014
EQUITY		
Share capital	93,057,948	93,057,948
Share premium account	758,450,719	839,667,295
Revaluation reserve	21,438,656	21,438,656
Other reserves		
Legal reserve	9,305,795	9,305,795
Statutory reserve	–	–
Untaxed reserves	–	–
Other	–	–
Retained earnings	517,033	915,525
Interim dividend	–	–
Profit/(loss) for the year	(26,718,556)	31,476,110
Capital and reserves	856,051,595	995,861,329
Government grants	–	–
Untaxed provisions	17,047,872	15,099,233
Total I	**873,099,467**	**1,010,960,562**
Participating securities	–	–
Total Ia	**–**	**–**
Provisions for contingencies and charges	2,382,603	1,628,049
Total II	**2,382,603**	**1,628,049**
LIABILITIES[(1)(2)]		
Convertible bonds	–	–
Other bonds	1,464,164,764	1,210,629,795
Bank borrowings[(3)]	162,170,305	156,589,480
Other borrowings	53,837,111	48,712,864
Prepaid property rentals	7,207,586	5,288,699
Trade payables	6,434,327	6,917,642
Accrued taxes and payroll costs	10,526,667	14,276,885
Due to suppliers of property and equipment	9,363,523	19,098,140
Other liabilities	1,231,501	2,352,570
Treasury instruments	–	–
Deferred income	2,798,234	2,831,823
Total III	**1,717,734,018**	**1,466,697,898**
Total Equity And Liabilities (I + Ia + II + III)	**2,593,216,088**	**2,479,286,509**
(1) Of which, due beyond one year	*1,496,602,933*	*1,352,629,513*
(2) Of which, due within one year	*221,131,085*	*114,068,385*
(3) Of which, short-term bank loans and overdrafts	*22,051,305*	*26,353,101*

Profit and Loss Account

(in €)	2015	2014
OPERATING INCOME		
Property rentals	67,884,717	69,341,372
Service revenue	1,655,494	1,536,669
Total revenue	**69,540,211**	**70,878,041**
Own-work capitalised	205,094	227,476
Reversals of depreciation, amortisation and provisions	9,225,329	3,069,927
Other income	1,273,962	697,456
Expense transfers	21,947,934	18,984,669
Total I	**102,192,530**	**93,857,569**
OPERATING EXPENSES		
Other purchases and external charges	43,297,602	35,990,337
Taxes other than on income		
Payroll-based taxes	266,893	548,849
Other	10,015,887	9,387,911
Payroll costs		
Wages and salaries	9,018,126	7,665,940
Payroll taxes and other employee benefits expenses	3,247,869	3,239,556
Depreciation, amortisation and provision expense		
Depreciation and amortisation expense	39,180,110	36,857,730
Impairment losses on non-current assets	–	3,135,508
Impairment losses on current assets	47,824	73,112
Provision expense	1,646,732	117,570
Other expenses	1,167,346	787,721
Total II	**107,888,389**	**97,804,234**
Operating (Loss)/Profit (I - II)	**(5,695,859)**	**(3,946,665)**
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	27,622,033	31,449,625
From other non-current financial assets	48,105	102,431
Other interest income	2,107,038	2,735,397
Reversals of provisions and impairment losses, and expense transfers	8,545,847	7,472,718
Net gains from sales of current financial assets	1,438	56,055
Total III	**38,324,461**	**41,816,226**
FINANCIAL EXPENSES		
Amortisation, impairment losses and other provision expense	928,802	1,709,932
Interest expense	54,663,706	72,996,035
Total IV	**55,592,508**	**74,705,967**
Net Financial Expense (III - IV)	**(17,268,047)**	**(32,889,741)**
Loss Before Tax and Other Income and Expense (I - II + III - IV)	**(22,963,906)**	**(36,836,406)**
OTHER INCOME		
From revenue transactions	136,519	437,610
From capital transactions	10,500	304,958,567
Reversals of provisions and impairment losses, and expense transfers	1,481,881	2,077,391
Total V	**1,628,900**	**307,473,568**
OTHER EXPENSES		
From revenue transactions	1,911,738	1,197,180
From capital transactions	1,029	236,004,252
Amortisation, impairment losses and other provision expense	3,383,378	1,918,214
Total VI	**5,296,145**	**239,119,646**
Other Income/(Expense), Net (V - VI)	**(3,667,245)**	**68,353,922**
Employee profit-sharing (IX)	102,405	97,136
Income tax expense (X)	(15,000)	(55,730)
Total income (I + III + V)	**142,145,891**	**443,147,363**
Total expenses (II + IV + VI + IX + X)	**168,864,447**	**411,671,253**
Profit/(loss) for the year	**(26,718,556)**	**31,476,110**

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP).

I - Accounting Policies

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and segregation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

a) Intangible assets

Intangible assets recognised in the balance sheet mainly comprise:
– Software purchased or developed for the Company's ERP system.
– Goodwill, corresponding to the technical deficits arising from mergers.

These deficits, which are allocated to the buildings, are tested for impairment and are regularly monitored by reference to changes in the buildings' appraisal values in accordance with Article 322-5 of standard CRC 99-03 (as amended by standard 2002-10).

b) Property and equipment

1 - Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

All expenses, including eviction compensation paid to tenants of properties scheduled for large-scale renovation, are considered as an integral part of the renovation cost and are therefore capitalised.

Capitalised renovation costs also include borrowing costs for the period until the property is put back on the rental market, calculated at the average month-end interest rate after hedging.

The cost of properties does not include transaction expenses (CRC 2004-06).

2 - Depreciation

Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Properties held in the portfolio when the components approach was adopted were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at that date.

The useful lives of the component parts of investment properties are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof, windows, doors	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:
– The useful lives of the component parts of the property. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its respective useful life.
– The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

The properties' carrying amounts are compared with their market values at six-monthly intervals and an impairment loss is recognised if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2015 was performed by independent experts CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

c) Non-current financial assets

Non-current financial assets are stated at cost, and a provision for impairment is recorded if fair value is less than this amount at the balance sheet date.

The fair value of shares in subsidiaries and affiliates takes into account the market value of the investee's property assets.

Furthermore, a provision for contingencies is recorded when the Company has an obligation to cover losses in excess of the amount of its interest in the subsidiary or affiliate concerned.

The total amount of the provision is booked against the following items, in the order listed: shares in subsidiaries and affiliates, long-term receivables and current account advances, with any balance recognised in liabilities under provisions for contingencies.

d) Stock option and performance share plans

In accordance with CNC standard no. 2008-17 dated 4 December 2008 concerning the accounting treatment of stock option and performance share plans, SFL has bought back shares for allocation to these plans based on the probability of the options being exercised or the performance share rights vesting.

When it is probable that the options will be exercised or the performance share rights will vest, a provision is recorded for the difference between the buyback price of the allocated shares and the exercise price of the options or performance share rights.

Impairment of treasury shares not allocated to a stock option or performance share plan is calculated based on their fair value at the balance sheet date.

If the share price increases to above the exercise price for a certain number of options or performance share rights, the provision for impairment of these shares is reversed and a provision for contingencies is recorded based on the exercise price of the options or performance share rights.

In accordance with Emerging Issues Task Force Opinion no. 2002-D dated 18 December 2002 concerning the accounting treatment of a company's own shares originally classified as marketable securities and subsequently allocated to performance share plans, the shares' carrying amount on the reclassification date is treated as their new cost and any impairment losses recorded prior to that date are therefore not reversed when the shares are reclassified. No further impairment losses are recorded on the shares as from the reclassification date.

For each performance share plan, the number of performance shares that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate.

The probable outflow of resources is then recognised on a straight-line basis over the vesting period.

Details of the plans are presented in Note A-3.1).

e) Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis.
Files are transferred to the collection department when rentals are 30 days past due.

Except in specific cases, the following provision rates are applied according to the type of lease:
– Residential leases: 100%.
– Office and retail leases: 50% when the tenant is still occupying the premises, 100% when they have vacated the premises.

f) Current financial assets

Current financial assets are stated at the lower of cost and fair value. Fair value corresponds to the average market price for the last month of the period.

g) Expense transfers

Expense transfers correspond mainly to service charges billed to tenants, including various property taxes, and deferred borrowing costs.

h) Financial income and expense

Accrued interest payable or receivable under interest rate swaps is recognised in the balance sheet.
Net gains and losses on swaps contracted for hedging purposes are recognized in the profit and loss account on an accruals basis.
No provision is booked for unrealised losses, as losses and gains on hedging instruments are offset by gains and losses on the hedged items.

II - Significant Events of the Year

A - Significant events

Redevelopment projects

Remodelling of the #cloud.paris property at 81-83 rue de Richelieu launched in the second half of 2012 was completed on time, and the property was delivered in November 2015. As of 31 December 2015, 90% of the 35,000-sq.m property had been let, following the signature of leases with the Exane Group, BlaBlacar and Facebook.

Renovation work began on the Le Vaisseau building in Issy-les-Moulineaux after the tenant moved out at the end of March 2015, and a lease was signed with Révolution 9 on the entire building (representing over 6,000 sq.m), which came into effect in early 2016 on completion of the renovations.

On 29 June 2015, SFL signed a lease with the Organisation for Economic Co-operation and Development (OECD) for the whole IN/OUT building (almost 35,000 sq.m) located in Boulogne-Billancourt, which has been entirely renovated. The 12-year lease came into effect on 1 September 2015.

Asset purchases

On 30 June 2015, an agreement was signed for the purchase of a property at 9 avenue Percier, Paris 8, from Eurosic for €68 million including transfer costs. The 7,000-sq.m property's main tenant is the EDF Foundation, which occupies 31% of the total surface area.

Distribution paid out of share premium account

In November 2015, the Company paid a special distribution of €1.05 per share, for a total payout of €48,467,648 deducted from the share premium account, representing a return of capital to shareholders.

Financing

In 2015, several bank facilities were obtained:
– In June, a new €50 million, five-year revolving line of credit was set up with Banco Sabadell.

– In July, a €400 million, five-year syndicated revolving line of credit was set up with BNP Paribas. This new facility cancels and replaces a previous €400 million syndicated revolving line of credit expiring in July 2018.

– Addenda were signed to the loan agreements for the €150 million credit line obtained from BECM in April 2014 and the €150 million credit line obtained from BPCE in October 2014, narrowing the interest spreads on these facilities.

On 16 November 2015, €500 million was raised through a seven-year 2.25% bond issue.

The issue proceeds were used to retire €144.2 million worth of bonds due May 2016 and €99.3 million worth of bonds due November 2017.

These transactions have extended the life of the Company's debt and reduced its borrowing costs, while maintaining a robust liquidity ratio.

Governance

On 27 January 2015, SFL's Board of Directors appointed Nicolas Reynaud as Chief Executive Officer. Dimitri Boulte, formerly Chief Operating Offer, was appointed Managing Director.

B – Tax audits

Following a tax audit covering the years 2010 to 2012,the tax authorities notified the Company of a proposed €2 million reassessment of the tax base that would reduce tax loss carryforwards by the same amount. The reassessment – which concerns the allocation of expenses between SIIC activities and activities subject to corporate income tax – continues to be challenged by SFL. It has no impact on the financial statements.

C - Subsequent events

None.

III - Notes to the Financial Statements

A - Notes to the Balance Sheet

A-1) Non-current assets

A-1.1) Intangible assets

Intangible assets at cost (in €)	31 Dec. 2014	Additions	Disposals	Reclassifications	31 Dec. 2015
Software	4,766,120	–	–	264,775	5,030,895
Goodwill	52,217,467	–	–	–	52,217,467
Intangible assets in progress	1,479,371	608,158	–	(297,033)	1,790,496
Total	**58,462,958**	**608,158**	**–**	**(32,258)**	**59,038,858**

Software includes both software licences and internally-developed software.

Goodwill corresponds to the technical deficits arising from mergers:
- with SA Dandy Nuances (owner of the Ozone building) on 20 November 2006.
- with SAS Iéna (owner of the 96 Iéna building) on 30 June 2008.

Amortisation (in €)	31 Dec. 2014	Amortisation for the year	Amortisation written off on disposals and other	31 Dec. 2015
Software	4,040,963	337,480	–	4,378,443
Total	**4,040,963**	**337,480**	**–**	**4,378,443**

A-1.2) Property and equipment

Property and equipment at cost (in €)	31 Dec. 2014	Additions	Disposals	Reclas-sifications	31 Dec. 2015
Land	587,636,763	50,003,300	–	6,693,942	644,334,005
Buildings	400,052,522	7,682,600	1,475,217	115,206,644	521,466,549
Fixtures and fittings	376,678,347	6,214,100	5,271,860	126,926,558	504,547,145
Furniture and equipment	3,898,559	–	3,544	207,289	4,102,304
Assets under construction	223,287,468	100,459,263	–	(249,002,175)	74,744,556
Prepayments to suppliers of property and equipment	6,531,134	–	6,531,134	–	–
Total	**1,598,084,793**	**164,359,263**	**13,281,755**	**32,258**	**1,749,194,559**

Additions to property and equipment generally correspond to costs accumulated in the “Assets under construction” account that are reclassified on delivery of the property to the appropriate depreciable asset accounts.

Depreciation (in €)	31 Dec. 2014	Depreciation for the year	Depreciation written off on disposals and other	31 Dec. 2015
Land	–	–	–	–
Buildings	30,287,801	8,405,900	1,475,217	37,218,484
Fixtures and fittings	115,655,998	26,909,486	5,271,860	137,293,624
Furniture and equipment	1,488,752	314,045	2,515	1,800,282
Total	**147,432,551**	**35,629,431**	**6,749,592**	**176,312,390**

Impairment (in €)	31 Dec. 2014	Increases	Decreases	31 Dec. 2015
Land	8,220,912	–	5,171,861	3,049,051
Buildings	3,179,084	–	3,179,084	–
Total	**11,399,996**	**–**	**8,350,945**	**3,049,051**

Following the valuations carried out at 31 December 2015, the impairment losses recorded on buildings were adjusted to take into account changes in the properties’ appraisal values, which take into account the 1 January 2016 increase in transfer taxes.

Impairment losses concern the following properties:

Impairment by building (in €)	31 Dec. 2014	Increases	Decreases	31 Dec. 2015
Le Vaisseau	11,378,558	–	8,348,258	3,030,300
Saint-Denis	21,438	–	2,687	18,751
Total	**11,399,996**	**–**	**8,350,945**	**3,049,051**

A-1.3) Non-current financial assets

Non-current financial assets at cost (in €)	31 Dec. 2014	Additions	Disposals	31 Dec. 2015
Shares in subsidiaries and affiliates	393,871,912	–	–	393,871,912
Advances to subsidiaries and affiliates	22,496,806	27,184,793	22,496,798	27,184,801
Loans	3,189,744	–	2,197,616	992,128
Deposits	720,717	6,985	24,750	702,952
Total	**420,279,179**	**27,191,778**	**24,719,164**	**422,751,793**

Shares in subsidiaries and affiliates are presented below (list of subsidiaries and affiliates).

Impairment (in €)	31 Dec. 2014	Increases	Decreases	31 Dec. 2015
Shares in subsidiaries and affiliates	2,286,948	–	–	2,286,948
Total	**2,286,948**	**–**	**–**	**2,286,948**

Impairments of non-current financial assets correspond mainly to the full write-down of the Company’s investment in Vendôme-Rome.

Analysis by maturity at 31 December 2015 (in €)	Total	*o/w accrued interest*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Advances to subsidiaries and affiliates	27,184,801	*27,184,801*	27,184,801	–	–
Loans	992,128	–	992,128	–	–
Deposits	702,952	–	–	–	702,952

LIST OF SUBSIDIARIES AND AFFILIATES

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances	Out-standing guaran-tees	Last published net revenue	Last published profit/(loss)	Dividends received during the year	Fair value adjust-ments to the investment during the year
				Cost	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1. Subsidiaries (at least 50%-owned)											
SCI Paul Cézanne	56,934,400	113,967,098	100.00%	291,846,722	291,846,722	–	–	16,251,754	10,891,020	–	–
SCI 103 Grenelle	150	8,527,350	100.00%	1,168,570	1,168,570	165,794,745	–	9,766,100	4,903,155	–	–
SCI Washington	94,872,000	12,961,608	66.00%	79,788,878	79,788,878	114,777,901	–	21,137,888	8,443,190	–	–
2. Affiliates (10-50%-owned)											
SAS Parholding	15,000,000	8,986,059	50.00%	18,400,300	18,400,300	8,544,924	–	–	6,261,588	–	–
B - Aggregate information about investments not listed in A above:											
1. Subsidiaries (at least 50%-owned)				380,493	380,493	218,651,327	–	–	6,804,788	437,240	–
2. Affiliates (less than 50%-owned)				2,286,735	–	–	–	–	–	–	–

A-2) Receivables

Analysis by maturity at 31 December 2015 (in €)	Total	*o/w accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Prepayments to suppliers	13,891	–	13,891	–	–
Trade receivables	6,652,887	*697,131*	2,279,476	4,373,411	–
Other					
• Employee advances	39,838	–	39,838	–	–
• Prepaid and recoverable taxes	7,581,772	–	7,581,772	–	–
• Current account advances	508,975,755	*213,925*	213,925	508,761,830	–
• Miscellaneous receivables	696,705	–	696,705	–	–
Prepaid expenses	189,581	–	189,581	–	–

Impairment (in €)	31 Dec. 2014	Increases	Decreases	31 Dec. 2015
Rental receivables	3,018,297	47,824	167,805	2,898,316
Total	**3,018,297**	**47,824**	**167,805**	**2,898,316**

Impairment of receivables mainly concerns a rental receivable that is the subject of a dispute with a former tenant.

A-3) Current financial assets

A-3.1) Treasury shares

The total carrying amount of treasury shares held at 31 December 2015 came to €20,175 thousand versus a fair value of €16,542 thousand, reflecting the increase in the SFL share price to €43.82 at the 2015 year-end, from €36.36 at end-2014.

Treasury shares	31 Dec. 2014	Additions[1]	Disposals[2]	31 Dec. 2015
Number of shares	426,695	352,127	401,357	377,465
Average purchase/sale price (in €)	€52.90	€53.66	€53.04	€53.45
Total	**22,570,637**	**18,893,913**	**21,289,115**	**20,175,435**

(1) Including 51,334 shares allocated to the performance share plan.
(2) Including 201,710 shares originally allocated to the performance share plan.

Provisions for impairment, as determined based on the purpose for which the treasury shares were being held, amounted to €4,172 thousand at 31 December 2015 as follows:

Treasury shares	Number of shares	Cost	Provisions	Net	Market value	Gross gain or loss
Shares allocated to share-based payment plans[1]						
2013 performance share plan	36,416	1,490,251	N/A[1]	1,490,251	–	–
2014 performance share plan	17,970	707,026	N/A[1]	707,026	–	–
2015 performance share plan	25,726	1,096,002	N/A[1]	1,096,002	–	–
Sub-total	**80,112**	**3,293,279**	**0**	**3,293,279**	**–**	**–**
Available treasury shares						
Shares held for future stock-for-stock acquisitions	265,889	15,818,370	4,171,965	11,646,405	11,652,346	5,941
Shares held for external growth transactions	23,283	704,866	–	704,866	1,020,357	315,491
Shares held under the liquidity contract	8,181	358,920	395	358,525	358,525	–
Sub-total	**297,353**	**16,882,156**	**4,172,360**	**12,709,796**	–	–
Total	**377,465**	**20,175,435**	**4,172,360**	**16,003,075**	**–**	**–**

(1) Treasury shares allocated to performance share plans concern SFL Group companies and are carried at cost.

Impairment (in €)	31 Dec. 2014	Increases	Decreases	Reclassifications	31 Dec. 2015
Treasury shares	7,171,233	–	2,649,735	(349,138)	4,172,360
Total	**7,171,233**	**–**	**2,649,735**	**(349,138)**	**4,172,360**

Changes in impairment over the year include a €2,650 thousand provision reversal through profit and the reclassification of €349 thousand following the allocation of shares to a performance share plan at their net book value on the transfer date.

Details of the performance share plans		Plan 1	
Date of General Meeting	22 April 2015	9 May 2011	9 May 2011
Grant date	17 June 2015	4 March 2014	5 March 2013
End of vesting period	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
Initial expected vesting rate	70.83%	70.83%	70.83%
Target number of shares	18,255	23,083	23,887
Value per share[1]	€42.10	€37.50	€37.68

(1) SFL share price on the grant date.

Number of performance share rights expected to vest		Plan 1	
Number of performance share rights at beginning of the year	–	12,693	16,492
Performance share rights granted during the year	18,255	–	–
Performance share rights cancelled during the year (vesting conditions not met)	(142)	(134)	(154)
Expected vesting rate at 31 December 2015	100%	100%	150%
Number of performance share rights expected to vest at the year-end	**25,572**	**17,731**	**34,600**

A-3.2) Other current financial assets

Other current financial assets (in €)	Number	Purchase price	Cost	Market value	Gross gain or loss
Aviva Investors Monétaire C	481.23	2,261	1,088,019	1,088,148	129
Total	**481.23**	**2,261**	**1,088,019**	**1,088,148**	**129**

No provisions for impairment have been recorded against these financial assets.

A-4) Deferred charges

Debt issuance costs (in €)	Amortisation period	Total	Accumulated amortisation at 1 Jan. 2015	Amortisation for the year	Accumulated amortisation at 31 Dec. 2015	Net
2011 bond issuance costs	5 years	2,876,717	2,387,675	414,343	2,802,018	74,699
2012 bond issuance costs	5 years	2,893,365	1,543,344	683,101	2,226,445	666,920
2014 bond issuance costs	7 years	2,465,480	29,252	352,212	381,464	2,084,016
2015 bond issuance costs	7 years	2,407,622	–	42,993	42,993	2,364,629
2013 BNP Paribas syndicated loan fees	5 years	3,604,437	1,081,331	2,523,106	3,604,437	–
2014 BECM loan fees	5 years	1,050,000	157,500	210,000	367,500	682,500
2014 Natixis loan fees	5 years	900,000	30,000	180,000	210,000	690,000
2014 Natixis loan renegotiation fees	4 years	100,000	–	6,123	6,123	93,877
2015 Banco Sabadell loan fees	5 years	150,600	–	17,570	17,570	133,030
2015 BNP Paribas loan fees	5 years	1,222,088	–	122,208	122,208	1,099,880
Total		**17,670,309**	**5,229,102**	**4,551,656**	**9,780,758**	**7,889,551**

Fees are amortised over the life of the loan at the same rate as repayments.

A-5) Debt redemption premiums

Redemption premiums (in €)	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2011 bonds	5 years	1,985,000	285,906	1,933,456	51,544
2012 bonds	5 years	2,295,000	541,919	1,765,919	529,081
2014 bonds	7 years	615,000	87,852	95,173	519,827
2015 bonds	7 years	735,000	13,125	13,125	721,875
Total		**5,630,000**	**928,802**	**3,807,673**	**1,822,327**

Redemption premiums are amortised over the life of the loan at the same rate as repayments.

A-6) Equity

A-6.1) Changes in equity

A. Equity at 31 December 2014 before appropriation of profit	**1,010,960,562**
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	–
C. Dividend paid during the year	
2014 dividend decided by the Annual General Meeting of 22 April 2015	(64,623,531)
Special distribution decided by the General Meeting of 13 November 2015	(48,467,647)
D. Movements for the period	
Share issues	–
Change in untaxed provisions	1,948,639
Loss for the year	(26,718,556)
E. Equity at 31 December 2015	**873,099,467**
F. Change in equity during the year	**(137,861,095)**

At 31 December 2015, the Company's share capital comprised 46,528,974 ordinary shares with a par value of €2. The number of voting rights at that date was 46,151,509.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.14% of the capital at 31 December 2015.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties. Any decreases for the year correspond to excess tax depreciation reclassified to profit on the sale of the related buildings.

Untaxed provisions (in €)	31 Dec. 2014	Increases	Decreases	31 Dec. 2015
Excess tax depreciation	15,099,233	2,044,920	96,281	17,047,872
Total	**15,099,233**	**2,044,920**	**96,281**	**17,047,872**

A-6.2) Provisions for contingencies and charges

Provisions for contingencies and charges (in €)	31 Dec. 2014	Increases	Decreases	31 Dec. 2015
Provisions for property-related contingencies and tenant claims	117,570	166,000	–	283,570
Provisions for employee benefits	1,510,479	1,480,733	892,179	2,099,033
Total	**1,628,049**	**1,646,733**	**892,179**	**2,382,603**

Provisions for employee benefits mainly concern deferred performance share plan costs for €1,481 thousand. The €707 thousand decrease for the year corresponds to the provision reversed upon delivery of shares granted under the 2012 Plan 1.

For information about tax risks, see Note II-B.

A-7) Liabilities

Liabilities at 31 December 2015 by maturity (in €)	Total	*o/w accrued expenses*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds	1,464,164,764	*7,664,764*	163,464,764	300,700,000	1,000,000,000
Bank borrowings	162,170,305	*148,873*	22,170,305	140,000,000	–
Other borrowings					
• Tenant deposits	10,704,231	–	651,109	2,733,686	7,319,436
• Current account advances	43,132,880	*234,681*	234,681	–	42,898,199
Prepaid property rentals	7,207,586	–	7,207,586	–	–
Trade payables	6,434,327	*5,640,599*	6,434,327	–	–
Accrued payroll costs	4,369,533	*3,805,745*	4,369,533	–	–
Accrued taxes	6,157,134	–	3,205,521	2,951,613	–
Due to suppliers of property	9,363,523	*6,536,322*	9,363,523	–	–
Other liabilities	1,231,501	*533,183*	1,231,501	–	–
Deferred income	2,798,234	–	2,798,234	–	–
Total	**1,717,734,018**	***24,564,168***	**221,131,085**	**446,385,298**	**1,050,217,635**

Prepaid property rentals correspond to rent and property expenses for the first quarter of 2016 payable in advance.
Accrued payroll costs include discretionary profit-sharing and bonus accruals.
Accrued taxes include annual exit tax instalments totalling €5,903 thousand in 2015.

Long and short-term debt (in €)	31 Dec. 2015	31 Dec. 2014	Year-on-year change
2011 bonds	160,151,013	308,401,027	-148,250,014
2012 bonds	301,677,686	401,304,110	-99,626,424
2014 bonds	500,922,131	500,924,658	-2,527
2015 bonds	501,413,934	–	+501,413,934
2014 BECM loan	140,119,000	100,235,693	+39,883,307
CADIF loan	–	30,000,686	-30,000,686
Bank overdrafts	22,051,305	26,353,101	-4,301,796
Total	**1,626,335,069**	**1,367,219,275**	**259,115,795**

B - Notes to the Profit and Loss Account

B-1) Net revenue

(in €)	2015	2014
Property rentals and lease termination penalties	63,610,825	65,593,238
Property management fees	1,511,025	1,084,443
Key money	766,668	766,668
Other fees	1,048,227	914,711
Facility management revenues	947,972	982,312
Sub-total	67,884,717	69,341,372
Administration and accounting fees	140,000	140,000
Payments received for seconded employees	1,515,494	1,396,669
Sub-total	1,655,494	1,536,669
Total	**69,540,211**	**70,878,041**

The decrease in net revenue during the year primarily reflected the departure of the tenant from the Le Vaisseau building, which subsequently underwent renovation, and the absence of revenue from the Édouard VII car park, which was closed in October 2014 following a fire, partly offset by property rentals from the Percier building acquired on 30 June 2015.

B-2) Payroll costs

(in €)	Administrative staff	Building staff	2015 total	2014 total
Wages and salaries				
Wages and salaries	8,926,052	92,074	9,018,126	7,665,940
Sub-total	**8,926,052**	**92,074**	**9,018,126**	**7,665,940**
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	2,683,316	41,355	2,724,671	2,783,499
Other employee benefits expenses	517,430	5,768	523,198	456,057
Sub-total	**3,200,746**	**47,123**	**3,247,869**	**3,239,556**
Total	**12,126,798**	**139,197**	**12,265,995**	**10,905,496**

The remuneration awarded to senior management (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €2,246 thousand in 2015.

Directors' fees for the year paid to the members of the Board of Directors represented a total of €325 thousand.

B-3) Number of employees at 31 December 2015

(number)	31 Dec. 2015	31 Dec. 2014
Building caretakers	2	2
Administrative staff	5	7
Supervisors	9	8
Managers	46	47
Officers	2	1
Total	**64**	**65**

B-4) Fees paid to the Auditors

(in €)	PricewaterhouseCoopers Audit		Deloitte & Associés	
	2015	2014	2015	2014
Statutory and contractual audits	197,500	207,500	197,500	207,500
Other services	41,171	15,300	31,228	39,131
Total	**238,671**	**222,800**	**228,728**	**246,631**

B-5) Net financial expense

(in €)	2015	2014
Dividends from SAS Parholding	–	901,458
Dividends from SA Segpim	437,240	772,733
Dividends from SA SIIC de Paris	–	7,278,637
Revenue from SCI Paul Cézanne	10,891,001	10,649,416
Revenue from SNC Condorcet	5,823,035	–
Revenue from SCI Washington	5,572,505	7,590,107
Revenue from SCI 103 Grenelle	4,898,252	4,257,274
Sub-total	**27,622,033**	**31,449,625**
Interest income from the SCI Champvernier loan	48,105	102,431
Sub-total	**48,105**	**102,431**
Interest income from current account advances to subsidiaries	2,092,716	2,731,791
Other financial income	14,322	3,606
Sub-total	**2,107,038**	**2,735,397**
Capitalised interest expense (a)	6,047,980	7,472,718
Reversals of impairment of current financial assets	2,497,867	–
Sub-total	**8,545,847**	**7,472,718**
Net gains from sales of current financial assets	1,438	56,055
Sub-total	**1,438**	**56,055**
Financial income	**38,324,461**	**41,816,226**
Change in provisions for bond redemption premiums	928,802	1,356,038
Impairment of treasury shares	–	353,894
Sub-total	**928,802**	**1,709,932**
Interest expense on bonds and bank loans	40,668,483	43,342,191
Interest expense on current account advances from subsidiaries	553,213	620,963
Interest expense on bank overdrafts	175,598	140,906
Bank loan arranging fees	3,751,056	6,508,121
Other financial expenses (b)	9,515,356	22,383,854
Sub-total	**54,663,706**	**72,996,035**
Financial expenses	**55,592,508**	**74,705,967**
Net financial expense	**(17,268,047)**	**(32,889,741)**

(a) Capitalised interest expense corresponds to borrowing costs incurred during the redevelopment of the #cloud.paris property, calculated at an average rate of 2.77% (i.e. the average rate of interest after hedging in 2015).
(b) Other financial expenses correspond to cash settlements paid to unwind hedging positions upon partial early repayment of bond issues.

B-6) Other income and expense

(in €)	2015	2014
Capital gains and losses on disposal of non-current assets, net	9,471	(10,020)
Capital gains and losses on sales of securities, net	–	68,964,335
Capital gains and losses on sales of treasury shares, net	(1,660,882)	(986,156)
Tax reliefs	–	143,641
Prior period adjustments, net	(114,336)	82,945
Movements on untaxed provisions	(3,383,378)	(1,896,434)
Movements on provisions for employee-related and tax risks	281,880	(21,780)
Insurance settlements	1,200,000	2,077,391
Total	**(3,667,245)**	**68,353,922**

C- Related Party Transactions

(in €)	31 Dec. 2015	31 Dec. 2014
Balance Sheet		
Non-current financial assets	391,584,964	391,584,964
Advances to subsidiaries and affiliates	27,184,793	22,516,646
Other loans	386,755	383,492
Trade receivables	578,750	1,515,017
Other receivables	508,975,755	526,034,558
Other borrowings	147,179	145,822
Trade payables	2,520,109	2,326,136
Other liabilities	43,132,880	40,595,851
Profit and Loss Account		
Revenue	1,655,494	1,936,417
Other income	636,191	652,428
Expense transfers	246,974	275,225
Other purchases and external charges	1,637,863	1,620,281
Taxes other than on income	135,330	107,146
Property management fees	1,795,526	1,812,715
Dividend income from subsidiaries and affiliates	27,622,034	31,469,474
Interest income on advances to subsidiaries and affiliates	1,774,185	2,403,509
Interest expense on liabilities related to advances to subsidiaries and affiliates	234,681	292,681

D - Finance Leases

Finance lease commitments (in €)	Lease payments		Future minimum lease payments due			Residual value
	For the year	Cumulative	within 1 year	in 1 to 5 years	beyond 5 years	
131 Wagram	4,967,762	42,720,982	2,263,092	–	–	26,000,000
Total	**4,967,762**	**42,720,982**	**2,263,092**	**–**	**–**	**26,000,000**

The values shown concern the portion of lease payments corresponding to the repayment of the principal.

Properties under finance leases (in €)	Cost at inception of the lease	Depreciation for the year	Accumulated depreciation	Net at 31 Dec. 2015	Net at 31 Dec. 2014
Land	38,112,254	–	–	38,112,254	38,112,254
Buildings	38,112,254	1,249,850	22,479,716	15,632,538	16,882,389
Total	**76,224,508**	**1,249,850**	**22,479,716**	**53,744,792**	**54,994,643**

Under the rules governing property leases applicable since 1 January 1996, the portion of the principal corresponding to the land can be depreciated at the end of the lease period or included in the residual value. SFL has chosen to apply the latter option.

E - Off-Balance Sheet Commitments

Guarantees and other commitments

Guarantees and other commitments	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given	*None*	–	–	–
Commitments received				
Guarantees received from tenants	53,299,597	21,908,734	5,873,614	25,517,249
Guarantees received from suppliers	34,478,919	34,478,919	–	–
Natixis syndicated line of credit	150,000,000	–	150,000,000	–
BNP Paribas syndicated line of credit	400,000,000	–	400,000,000	–
Banco Sabadell syndicated line of credit	50,000,000	–	50,000,000	–
BECM syndicated line of credit	10,000,000	–	10,000,000	–

Hedging portfolio

The Company did not have any interest rate hedges at 31 December 2015.

Contractual redevelopment and renovation obligations

At 31 December 2015, the Group's contractual commitments related to redevelopment and renovation work totalled €32,734 thousand (€70,647 thousand at 31 December 2014) of which €30,007 thousand concerned the Louvre Saint-Honoré, #cloud.paris and In/Out properties.

Employee benefits

SFL has elected not to use the recommended method for recognising pension and other post-employment benefit obligations.

The amount of these obligations, for which no provision has been set aside, stood at €947 thousand at 31 December 2015. The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative.
The calculation parameters are determined on a historical basis. The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 2.03% and a 2% rate of future salary increases.

The Group's employee benefit plans are as follows:

- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.

- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.

- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years' service, and one month's salary to caretakers who complete 25 years' service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As SFL does not have any such defined benefit obligations, no sensitivity analyses are presented.

F - Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Inmobiliaria Colonial SA, a company governed by Spanish law and listed on the Madrid stock exchange (ISIN: ES0139140018).

Statutory Auditors' Reports for the Year Ended 31 December 2015

Statutory Auditors' Report on the Consolidated Financial Statements Year Ended 31 December 2015

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:
- the audit of the accompanying consolidated financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements for the year give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies, in accordance with IFRSs as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:
As described in Notes II. 3, II. 4, II. 23 and VI. 3 to the consolidated financial statements, all of the Group's property assets have been valued by qualified independent valuers to estimate their fair value. Our work consisted of verifying the valuation methods used by the independent valuers and ensuring that fair value measurements of property assets were based on independent valuations and that the notes to the consolidated financial statements contain the appropriate disclosures.
Notes II. 19, II. 23 and VI. 28 to the consolidated financial statements describe the accounting policies applied to determine the fair value of derivative instruments, as well as the characteristics of the hedging instruments used by the Group. We examined the classification and documentation criteria to be applied under IAS 39 and obtained assurance that the accounting policies used and the disclosures provided in the notes were appropriate.
These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we also verified the information about the Group presented in the Management Report.
We have no matters to report regarding the fair presentation of this information and its conformity with the consolidated financial statements.

Neuilly-sur-Seine, 21 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Philippe Gueguen

Deloitte & Associés
Christophe Postel-Vinay

Statutory Auditors' Report on the Company Financial Statements Year Ended 31 December 2015

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:
- the audit of the accompanying financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's results for the period as well as of its financial position, assets and liabilities at the period-end, in accordance with the accounting rules and principles applicable in France.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:
As described in Note I-b) on accounting policies for property and equipment, all of the Company's property assets have been measured by qualified independent valuers in order to test for impairment. Our work consisted in verifying the valuation methods used by the independent valuers and ensuring that impairment losses on property assets were determined on the basis of independent valuations and that the notes to the financial statements contain the appropriate disclosures.
These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verifications and information

In accordance with professional standards applicable in France, we also verified the information given in the financial statements. We have no matters to report concerning the fair presentation of this information and its conformity with the Board of Directors' management report and with the documents addressed to shareholders regarding the Company's financial position and financial statements.
We have examined the information provided in accordance with Article L.225-102-1 of the French Commercial Code concerning compensation and benefits granted to corporate officers and any other commitments made in their favour, and verified its conformity with the information used to prepare the Company financial statements and, where necessary, with data collected by your Company from its controlling shareholders or subsidiaries. On this basis, we have no matters to report concerning the fair presentation of this information.
In accordance with the law, we obtained assurance that the necessary disclosures were made in the Management Report concerning acquisitions of controlling and other interests and the identity of shareholders and holders of voting rights.

Neuilly-sur-Seine, 21 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Philippe Gueguen

Deloitte & Associés
Christophe Postel-Vinay

Statutory Auditors' Report, prepared in accordance with Article L.225-235 of the French Commercial Code, on the Report Prepared by the Chairman of the Board of Directors of Société Foncière Lyonnaise Year Ended 31 December 2015

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Société Foncière Lyonnaise, and in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:
- to report to you our observations on the information contained in the Chairman's report on corporate governance and internal control; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with the professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

French professional standards require that we perform procedures to assess the fairness of the information contained in the Chairman's report on corporate governance and internal control. These procedures mainly consisted of:
- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information underpinning the information given in the Chairman's report, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have identified during the course of our work are appropriately disclosed in the Chairman's report.

Based on our procedures, we have no matters to report concerning the information given on internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, 21 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Philippe Gueguen

Deloitte & Associés
Christophe Postel-Vinay

Statutory Auditors' Special Report on Related Party Agreements and Commitments (Annual General Meeting held to approve the 2015 financial statements)

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

We are required to report to shareholders, based on the information provided, about the main terms and conditions of the related party agreements and commitments that have been disclosed to us or that we identified during our audit, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de Commerce*), it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We are also required to disclose the information provided for in Article R.225-31 of the French Commercial Code concerning the execution during 2015 of any related party agreements and commitments approved by shareholders in prior years.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). These procedures consisted of verifying that the information given to us agreed with the underlying documents.

Agreements and commitments subject to approval by shareholders

We were not advised of any agreements or commitments authorised during the past year that would have to be submitted to the Annual General Meeting for approval in accordance with Article L.225-38 of the French Commercial Code.

Agreements and commitments already approved by the Annual General Meeting

I. Agreements and commitments approved in prior years

a) Agreements and commitments remaining in force in 2015

In accordance with Article R.225-30 of the French Commercial Code, we were informed of the following agreement authorised in prior years that remained in force in 2015.

Amendment to the agreement with Predica

– Authorised at the Board meeting of 15 November 2012 and amendment approved by shareholders at the Annual General Meeting of 18 April 2013.

– Amendment to the partnership agreement with Parholding of 26 December 2012.

– This amendment to the partnership agreement signed with Predica on 26 December 2012 gives SFL and its representatives the power to control the strategic financial and operating decisions made within Parholding by virtue of a contractual arrangement.

– Given that Chantal du Rivau and Jean-Jacques Duchamp are directors, and that the Crédit Agricole Group, of which Predica is a member, hold over 10% of the voting rights in the Company, the amendment to the partnership agreement with Predica is governed by Articles L.225-38 *et seq.* of the French Commercial Code.

b) Agreements and commitments terminated in 2015

Agreement with Nicolas Reynaud

– Authorised at the Board meeting of 9 December 2008 and approved by shareholders at the Annual General Meeting of 15 June 2009.

– Nicolas Reynaud is both an officer and an employee of the Group, as Managing Director since 24 October 2008 and Chief Financial Officer.

– Under the terms of his employment contract, Nicolas Reynaud is eligible for a termination benefit in the event of a change in ownership structure.

– In the event of a significant direct or indirect change in the composition of the main shareholder group of the Company or its controlling shareholder, if Nicolas Reynaud is dismissed (except for gross or wilful misconduct) or is forced to resign as a result of significant changes in his responsibilities in the 18 months following the date of such a change, he will receive, in addition to the severance pay due by law or under the collective bargaining agreement, a termination benefit of an amount equal to twice the total gross annual remuneration – including any and all bonuses and benefits in kind – for the calendar year preceding the dismissal or resignation for reasons other than gross or wilful misconduct, subject to a commitment by Nicolas Reynaud not to encourage the departure of other SFL employees.

This agreement was terminated on 27 January 2015 with Nicolas Reynaud's appointment as Chief Executive Officer and the resulting conclusion of the term of office.

c) Agreements and commitments that were not applied in 2015

We were also informed that the following related party agreement – which was approved in a prior year by shareholders – was not applied in 2015.

Agreement with SCI Paul Cézanne

- Authorised at the Board meeting of 24 April 2014 and approved by shareholders at the Annual General Meeting of 22 April 2015.
- SCI Paul Cézanne is a wholly-owned subsidiary of Société Foncière Lyonnaise.
- On 17 March 2014, Société Générale agreed to stand surety for SCI Paul Cézanne with regard to Pitch Promotion (a French public limited company with capital of €30,026,550 and whose registered office is located at 6 rue de Penthièvre, 75008 Paris, listed on the Paris Companies Registry under number 422 989 715) for an amount of up to €248,220 regarding the payment due from SCI Paul Cézanne to Pitch Promotion under a contract to change the use of premises signed in Paris on 18 October 2013.
- SFL agreed to act as joint and several guarantor for its subsidiary, SCI Paul Cézanne, with regard to Société Générale up to the guaranteed principal amount of €248,220.

II. Agreements and commitments authorised during 2015

In addition, we were informed of the execution in 2015 of the following agreements and commitments, approved by shareholders at the Annual General Meeting of 22 April 2015 and covered in the Statutory Auditors' special report of 20 March 2015.

Agreement with Nicolas Reynaud

- Authorised at the Board meeting of 27 January 2015 and approved by shareholders at the Annual General Meeting of 22 April 2015.
- Corporate officer concerned: Nicolas Reynaud, Chief Executive Officer since 27 January 2015.
- Payment of compensation for loss of office to Nicolas Reynaud in the event that he is dismissed from his position as Chief Executive Officer.

The agreement provides for the payment of compensation for loss of office to Nicolas Reynaud in the event that he is dismissed from his position as Chief Executive Officer as a result of a change in control or strategy and for reasons other than gross or wilful misconduct.
Said compensation would represent the equivalent of two years' fixed annual remuneration and bonuses, based on his latest fixed annual salary and, until 31 December 2017, the most recent bonus paid.
As from 1 January 2018, the variable component would be based on the average of the bonuses paid for the three years preceding his dismissal.
No exceptional bonuses or other components of his remuneration package other than those defined in the agreement would be taken into account in the calculation.
The compensation amount would also depend on the growth in the previous year's EPRA earnings compared with the average increase for the two preceding years, as follows:

EPRA earnings vs. average for the two preceding years	Compensation for loss of office
100% or more	100%
Between 90% and 100%	80%
Between 75% and 90%	50%
Less than 75%	0%

In effecting the comparison, account would be taken of changes in the property portfolio in the years concerned.

Neuilly-sur-Seine, 21 March 2016
The Statutory Auditors

PricewaterhouseCoopers Audit
Philippe Gueguen

Deloitte & Associés
Christophe Postel-Vinay

Additional Information

1. Persons Responsible for the Registration Document and the Audit of the Accounts

1.1 Statement by the person responsible for the Registration Document

Name and position

Nicolas Reynaud, Chief Executive Officer.

Statement

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the report of the Board of Directors on pages 4 *et seq.* presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

Paris, 5 April 2016

Nicolas Reynaud
Chief Executive Officer

1.2 Persons responsible for the audit of the accounts

AUDITORS

	First appointed	Term renewed	Term expires*
Statutory Auditors			
Deloitte & Associés Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France Represented by Christophe Postel-Vinay	21 April 2005	9 May 2011	2016
PricewaterhouseCoopers Audit Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers, 92200 Neuilly-sur-Seine, France Represented by Philippe Gueguen	25 April 2003	18 April 2013	2018
Substitute Auditors			
BEAS Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 7/9, villa Houssay, 92200 Neuilly-sur-Seine, France	21 April 2005	9 May 2011	2016
Anik Chaumartin Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers, 92200 Neuilly-sur-Seine, France	9 May 2007	18 April 2013	2018

*At the close of the Annual General Meeting to be called to approve the financial statements for the year indicated.

FEES PAID TO THE AUDITORS

(in €)	PricewaterhouseCoopers Audit						Deloitte & Associés					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Statutory and contractual audits												
Issuer	197,500	207,500	224,875	61%	68%	71%	197,500	207,500	224,875	83%	84%	91%
Fully consolidated subsidiaries	85,560	83,060	89,980	26%	27%	28%	8,500	–	–	4%	–	–
Audit-related services												
Issuer	41,171	15,300	3,100	13%	5%	1%	31,228	39,131	22,600	13%	16%	9%
Fully consolidated subsidiaries		–	–		–	–		–	–		–	–
Sub-total	**324,231**	**305,860**	**317,955**	**100%**	**100%**	**100%**	**237,228**	**246,631**	**247,475**	**100%**	**100%**	**100%**
Other services												
Legal and tax advice		–	–		–	–		–	–		–	–
Other		–	–		–	–		–	–		–	–
Sub-total		**–**	**–**		**–**	**–**		**–**	**–**		**–**	**–**
Total	**324,231**	**305,860**	**317,955**	**100%**	**100%**	**100%**	**237,228**	**246,631**	**247,475**	**100%**	**100%**	**100%**

2. Additional Legal Information

Corporate name and registered office

– Corporate name: Société Foncière Lyonnaise
– Registered office: 42 rue Washington, 75008 Paris, France
– Phone: +33 (0)1 42 97 27 00

Legal form

Société anonyme (public limited company) governed by the French Commercial Code.

Governing Law

French law.

Date of incorporation and term

– Incorporated on: 9 October 1879.
– Term: 8 October 2064.

Corporate purpose (Article 3 of the Articles of Association)

The Company's purpose is to:
– Acquire, by way of purchase or absorption or under a 99-year lease or a shorter lease, any and all real property located in France, the French overseas territories or abroad, and to extend any such properties; conduct any industrial, rental or management activities and generally enhance the value of the properties.
– Sell or exchange such properties, for cash or for shares.
– Manage properties on behalf of third parties.
– Participate by any method in any and all existing or future companies or business ventures related to the corporate purpose, including by means of the formation of new companies, the sale of assets in exchange for shares, membership of a general partnership, subscription or purchase of shares or other rights.
– Conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Registration particulars

Paris Companies Registry: 552 040 982 – NAF Code: 6820 B.

Financial year

1 January to 31 December.

Market for the Company's shares

SFL shares are quoted on NYSE Euronext Paris, compartment A.
ISIN: FR0000033409
Reuters: FLYP PA
Bloomberg: FLY FP

3. Additional Information about the Company's Capital and Share Ownership

3.1 Excerpts from the Articles of Association concerning the Company's capital and share ownership

Changes in capital (Articles 6, 7 and 8 of the Articles of Association)

The Company's capital may be increased on one or more occasions by any method provided for by law.

The share capital is increased by the issue of ordinary shares or preference shares, or by raising the par value of existing shares. It may also be increased through the exercise of rights attached to securities with rights to shares, on the basis defined by law.

Shareholders in General Meeting may resolve to reduce the Company's capital either by reducing the par value of the shares or reducing the number of shares in issue.
Where shareholders in General Meeting resolve to reduce the Company's capital for any reason other than to absorb losses, the Board of Directors may be authorised to purchase a fixed number of shares to be subsequently cancelled in accordance with the applicable law.

Where a capital increase is carried out by issuing shares payable in cash, at least one quarter of the par value of such shares shall be paid up at the time of the issue, as well as the entire amount of any related premium. The Board of Directors shall decide upon the timing and amount(s) of the subsequent payment(s) of the balance due.

Amendments of shareholders' rights (Article 9 of the Articles of Association)

Where called but unpaid amounts on partially paid-up shares are not settled in accordance with the terms and conditions determined by the Board of Directors, said outstanding amounts shall accrue interest on a daily basis, calculated at the legal interest rate, without any requirement for an application to court.
In addition, in order to obtain any such called but unpaid amounts, the Company shall be entitled to sell the shares concerned and to take all appropriate action as provided for by law. In such a case the Company shall serve the defaulting shareholder with a formal notice to pay, by way of a registered letter with return receipt requested. If the amount due is not settled within thirty days of service of the said notice the unpaid shares shall be stripped of attendance and voting rights for shareholders' meetings as well as dividend rights and pre-emptive subscription rights for subsequent share issues. However, following the payment of all outstanding amounts due to the Company (corresponding to the principal amount plus interest and costs), the shareholder concerned may request the payment of any dividends that are not time-barred and will recover their rights to attend and vote at shareholders' meetings.

Identification of shareholders (Article 10 of the Articles of Association)

Fully paid-up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the law. They are recorded in a shareholder's account in accordance with the terms and conditions provided for in the applicable laws and regulations.

The Board of Directors is authorised to use all methods provided for under the applicable laws and regulations – including an application to the securities clearing house – to obtain identification details of holders of shares and other securities convertible, redeemable, exercisable or otherwise exchangeable for shares carrying voting rights at the Company's General Meetings, together with details of the number of securities held by each such person and of any restrictions affecting the securities.

Disclosure thresholds

Obligations relating to the applicable disclosure thresholds are described on page 39 of the Management Report.

Rights attached to shares (Articles 11, 12, 13 and 14 of the Articles of Association)

Shares are indivisible vis-à-vis the Company, meaning that one share confers only one right. This does not, however, apply to the right to receive information prior to General Meetings as such entitlement applies both to the bare owners (*nu-propriétaires*) and the beneficial owners (*usufruitiers*) of any jointly held shares. If several persons own one share, they are required to elect one representative to act on behalf of that share. If no agreement can be reached on the appointment of such a representative, he or she shall be named by a Commercial Court judge in summary proceedings following an application by the first joint shareholder to take action.

Voting rights attached to the Company's shares shall be exercised by the beneficial owner in Ordinary General Meetings and by the bare owner in Extraordinary General Meetings. Voting rights attached to pledged shares are retained by the pledger.

In the event of a capital increase, any pre-emptive subscription or allocation rights attached to shares that have both legal and beneficial owners shall be exercised in accordance with the applicable law.

Shares are freely transferable, subject to the applicable legal and regulatory limits.

The Company's bearer shares may be traded on the stock market in accordance with the applicable laws. Shares may also be purchased or sold through off-market account transfers, subject to the conditions set down by the applicable laws and regulations.

All rights and obligations attached to shares are transferred with title thereto. Share ownership automatically requires shareholders to comply with the Company's Articles of Association and the decisions made by General Meetings.

The heirs or creditors of a shareholder may not under any circumstances apply for the Company's assets to be placed under seal or to be sold or divided, and may not interfere in any way whatsoever with the running of the Company. All rights of said persons are governed by the Company's applicable rules and regulations and decisions of General Meetings.

In accordance with Article 33 below, each share entitles its holder to a proportion of profits and net assets based on the proportion of capital represented by the share. All tax exemptions, as well as any tax payable by the Company, shall be applied to all of the Company's shares equally prior to any allocation or redemption, throughout the term of the Company or upon its liquidation, in order to ensure that all shares receive the same net amount.

Where a shareholder must own a specific number of shares to exercise a particular right relating to the exchange or allocation of shares, a reverse stock-split, a capital increase or reduction, a merger or other corporate action, shareholders owning fewer than the number of shares required to exercise the rights concerned will be personally responsible for obtaining said number, through share purchases or sales if necessary.

Appropriation of profits (Article 33 of the Articles of Association)

The profit or loss for the year represents the difference between total income and total expenses, including charges to and reversals from depreciation, amortisation and provisions, shown in the profit and loss account.

At least 5% of net profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve, until such time as the legal reserve represents one tenth of the share capital.

Profit available for distribution consists of profit for the year, less any losses carried forward from prior years and any amounts transferred to the legal reserve as provided for above, plus retained profits carried forward from prior years.

Total profit available for distribution is appropriated as follows:
- to provident reserves or any other reserves, by decision of the Annual General Meeting;
- to dividends payable to shareholders.

Any unappropriated balance is carried forward to the next year.

3.2 Share capital

Share capital at 31 December 2015

As of 31 December 2015, the Company's issued share capital amounted to €93,057,948 divided into 46,528,974 ordinary shares with a par value of €2, all fully paid-up.

Pledges of the Company's shares

The SFL shares held by Colonial have been lodged as collateral for borrowings under Colonial's syndicated line of credit. Further details are contained in the Financial Statements Report available at: http://www.inmocolonial.com/en/informaciones-para-accionistas-inversores/

3.3 Ownership structure

SFL's ownership structure is described on page 31 of the Management Report.

As far as the Company is aware, no arrangements exist whose implementation may result in a change in control in the future.

3.4 Shareholders' pacts

See page 38 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

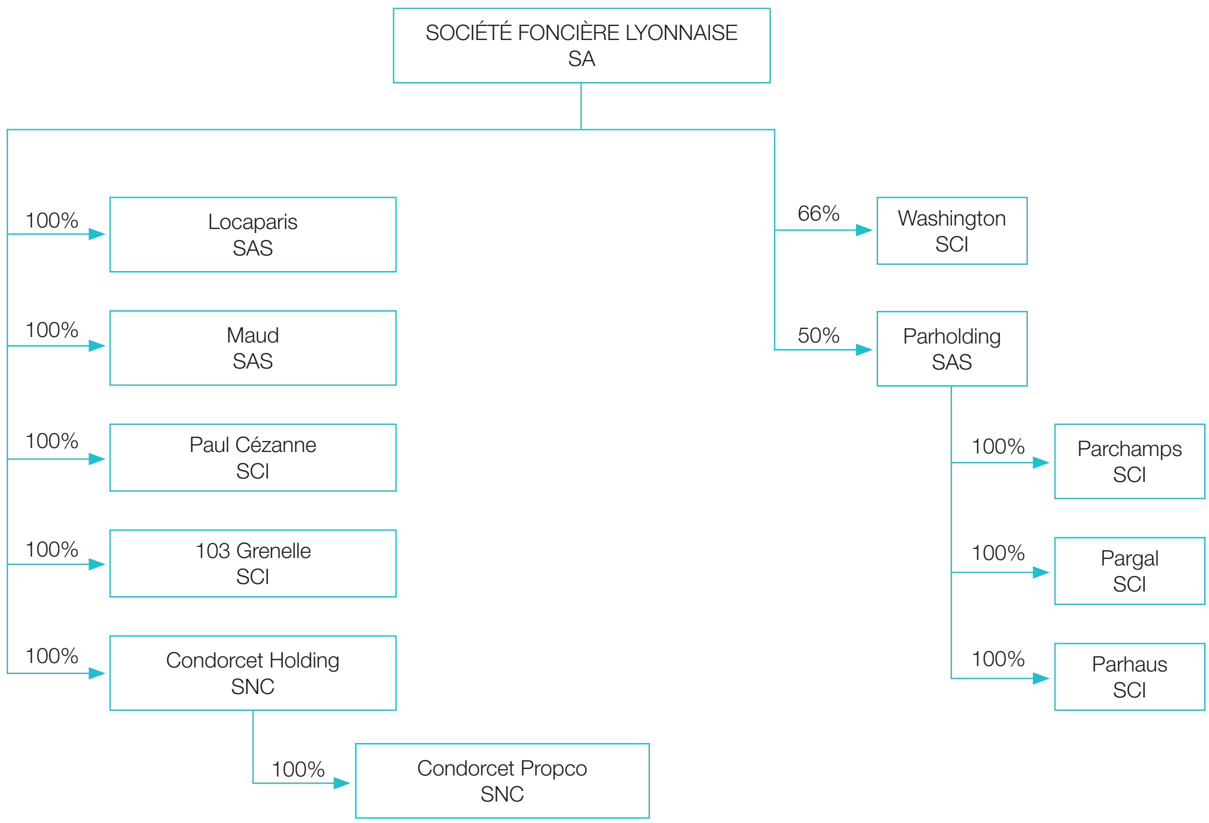
3.5 Corporate governance

In application of Article 21 of the Articles of Association, the functions of Chairman and Chief Executive Officer were separated on 27 January 2015.

The Chairman's report on corporate governance and internal control can be found on page 84 of the Management Report.

4. Additional Information about the Group's Operations and Organisational Structure

4.1 Organisation chart



4.2 Material contracts

No company within the SFL Group is party to an agreement that would entail a material obligation or commitment for the Group, other than contracts entered into in the ordinary scope of business.

4.3 Dependence on patents or licences

Dependence

The SFL Group is not dependent on any patents or licences for the conduct of its business.

4.4 Third party information, statement by experts and declarations of interests

Statement by experts

SFL's entire property portfolio was valued at 31 December 2015, part by CBRE Valuation, part by Jones Lang LaSalle Expertises and part by BNP Paribas Real Estate Valuation.

The valuations were performed in accordance with the *Charte de l'expertise en évaluation immobilière* (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF in 2004). They also complied with the standards issued by the European Group of Valuers' Associations (TEGoVA) and with Royal Institution of Chartered Surveyors (RICS) standards.

Method

The properties were valued primarily by the discounted cash flow method, which consists of discounting projected net future cash flows and the resale value of the property at the end of the projection period.

Each property is analysed in detail, based on the type of use and the surface area of each unit, lease by lease.

The valuers noted that, based on fourth quarter 2015 rent-rolls, rents on certain units were above or below observed market rents for the quarter on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.

Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs and service charges for the period until the units are re-let.

The cost of scheduled renovation work – based on information supplied by the Group – was taken into account over the cash flow projection period.

The results of the valuation were checked by applying the capitalised net rental revenue method, and based on direct comparisons with the observed price per square metre of recent buy-to-let transactions involving occupied and vacant properties.

The appraisal values were determined including transfer costs (calculated at a standard 6.2% or 6.9% for all properties subject to registration duty) and also excluding transfer costs.

At the request of the Group, the valuation method used in December 2015 was the discounted cash flow method.

Each of the three firms provided an individual appraisal value and is not responsible for the valuations performed by the other two firms.

On the basis described above, the value of the portfolio, Group share, at 31 December 2015 is €4,653,658,733 excluding transfer costs and €4,893,279,192 including transfer costs. The value of the portfolio on a 100% basis is €5,242,409,933 excluding transfer costs and €5,518,531,892 including transfer costs (see attached table for value by building).

JONES LANG LASALLE EXPERTISES
S.A.S. au capital de 37 000 Euros
Siège social : 40/42 rue La Boétie
Tél : 01 40 55 15 15 - 75008 PARIS
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EXPERTISE

DENIS FRANÇOIS
EXPERT EN ÉVALUATION IMMOBILIÈRE – FNAIM

Cross-Reference Tables

Information (EU regulation no. 809/2004)	Annual Report	Registration Document
10. Capital resources		
10.1 Information concerning capital resources	58 to 65	11; 124; 126; 140; 155; 164
10.2 Cash flows		127
10.3 Borrowing requirements and funding structure	65	25; 141; 142; 146 to 148; 165
10.4 Restrictions on the use of capital resources		24; 25; 142; 146 to 148
10.5 Information regarding anticipated sources of funds needed to fulfil capital expenditure commitments	n. app	n. app
11. Research, development, patents and licences	n. app	n. app
12. Trend information		
12.1 The most significant recent trends in production, sales and inventory, and costs and selling prices		24
12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects		24
13. Profit estimates or forecasts	n. app	n. app
14. Administrative, management, and supervisory bodies and senior management		
14.1 Board member and senior management information	14; 15	11 to 13; 86 to 99
14.2 Conflicts of interest		87; 99; 101
15. Remuneration and benefits		
15.1 Remuneration and benefits in kind		55; 14 to 23; 151; 166
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits		13; 18
16. Board practices		
16.1 Date of expiration of current terms of office		12; 13; 88 to 96
16.2 Service contracts with members of the administrative, management or supervisory bodies		13
16.3 Committee information	15	101 to 103
16.4 Statement of compliance with France's corporate and governance regime		13; 14; 19 to 21; 85
17. Employees		
17.1 Number of employees		55; 72; 82; 166
17.2 Shareholdings and stock options		14; 17; 23
17.3 Arrangements for involving employees in the Company's capital		24; 80 to 81; 162
18. Major shareholders		
18.1 Shareholders owning over 5% of the capital or voting rights	67	31; 32; 45
18.2 Different voting rights		31; 32
18.3 Control of the issuer		28; 31; 32; 38
18.4 Arrangements which may result in a change in control of the issuer		n. app
19. Related party transactions		175 to 176

Information (EU regulation no. 809/2004)	Annual Report	Registration Document
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1 Historical financial information		82; 189
20.2 Pro forma financial information	n. app	n. app
20.3 Financial statements		122 to 169
20.4 Auditing of historical annual financial information		172; 173
20.5 Age of latest financial information		189
20.6 Interim and other financial information	n. app	n. app
20.7 Dividend policy		39
20.8 Legal and arbitration proceedings		31
20.9 Significant change in the issuer's financial or trading position		24
21. Additional information		
21.1 Share capital		183
21.2 Memorandum and articles of association		182
22. Material contracts		184
23. Third party information, statement by experts and declarations of any interests		185
24. Information on holdings		10

Table of the Main Items of the Annual Financial Report

The table below indicates the pages in the Registration Document where key information required by the French securities regulator (AMF) can be found, in accordance with Article 212-13 VI of the AMF's General Regulations.

Information	Registration Document
1. Financial statements of the Company	152 to 169
2. Consolidated financial statements	122 to 151
3. Management Report	4 to 121
4. Statement by the person responsible for the registration document	180
5. Auditors' reports on the financial statements of the Company and the consolidated financial statements	172 to 173
6. Fees paid to the Statutory Auditors	181
7. Chairman's report (drawn up in accordance with Article L.225-37 of the French Commercial Code)	84 to 112
8. Statutory Auditors' report on the report of the Chairman of the Board of Directors	174

Historical financial information

Financial statements and Statutory Auditors' reports for 2015: see table above.

Pursuant to the AMF's General Regulations, the following information is incorporated by reference:

The consolidated financial statements for the year ended 31 December 2013, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 143 to 175 and 199 of the 2013 Registration Document filed with the AMF on 10 April 2014 under No. D.14-0339.

The consolidated financial statements for the year ended 31 December 2014, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 147 to 178 and 201 of the 2014 Registration Document filed with the AMF on 8 April 2015 under No. D.15-0302.

SOCIETE FONCIERE LYONNAISE

French public limited company with capital of €93,057,948
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www.fonciere-lyonnaise.com
Registered with the Paris Companies Registry under number 552 040 982

Design and execution | W

SOCIETE FONCIERE LYONNAISE