2019

Universal registration document

SOCIETE FONCIERE LYONNAISE

UNIVERSAL REGISTRATION DOCUMENT
(Financial and Legal Report)

SOCIETE FONCIERE LYONNAISE

AUTORITÉ DES MARCHÉS FINANCIERS

This Universal Registration Document was filed on 13 March 2020 with the AMF in its capacity as competent authority within the meaning of Regulation (EU) 2017/1129, without prior approval, in accordance with Article 9 of said regulation.
The Universal Registration Document may also be used for the offer to the public or the admission to trading on a regulated market of securities, provided it is accompanied by a securities note and, if applicable, a summary of all amendments applied to the Universal Registration Document. All of these items are approved by the AMF in accordance with the abovementioned regulation.

SFL 2019 Management Report

The financial statements were approved for publication by the Board of Directors on 6 February 2020.

ANNUAL GENERAL MEETING OF 3 APRIL 2020
Management Report for the Year Ended 31 December 2019

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 2019 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 operations

In 2019, the office rental market in the Paris region continued to perform very well, supported by strong demand especially for prime properties, a historically low vacancy rate and rising rental values.

In this environment, SFL signed leases on around 56,000 sq.m. in 2019 on very good terms. The main new leases concerned:
- Louvre Saint-Honoré, with the fulfilment of the conditions precedent of the turnkey lease signed with the Cartier Foundation for 20,100 sq.m. GLA of retail space on the lower floors of the building to be delivered in 2023.
- 106 Haussmann, with approximately 12,000 sq.m. pre-let to WeWork.
- 103 Grenelle, with a total of some 5,000 sq.m. let to several different tenants including ADP, Huawei and Wemanity.
- Édouard VII, with around 2,500 sq.m. let to Netflix.
- 176 Charles de Gaulle in Neuilly, with three refurbished floors let to FHB and Manpower.

In addition, new leases were signed with existing tenants such as GIE Carte Bancaire, Facebook, Zurich Insurance and Édouard Denis Développement, on expiry of their previous lease or to meet their changing needs.

Nominal rents for office leases signed in 2019 averaged €754 per sq.m., with effective rents averaging €659 per sq.m. for an average non-cancellable term of 8.1 years, reflecting the previously mentioned good performance of the rental market and the quality of SFL's buildings.

The physical occupancy rate for revenue-generating properties continued to hold firm, at 97.4% at 31 December 2019 versus 97.3% a year earlier. The EPRA vacancy rate remained at a very low 1.6%. These ratios confirm SFL's ability to keep its lettable properties fully occupied.

1.2. Development operations

Properties undergoing development at 31 December 2019 represented roughly 18% of the total portfolio. They consist mainly of the Group's current three flagship projects concerning:
- Retail space in the Louvre Saint-Honoré complex, for which the planning appeal process for the new building permit obtained in March 2019 has now ended, allowing renovation work to begin in first-half 2020. Delivery is scheduled for 2023 under the turnkey lease signed with the Cartier Foundation.
- The Biome office complex on avenue Emile Zola (approximately 24,500 sq.m.), which is going to be remodelled from top to bottom. The planning appeal process for the building permit obtained in May 2018 has ended (the permit is now final). The property has been cleared and prepared for renovation, and remodelling work has recently begun, with delivery scheduled for late 2021.
- The office building at 83 avenue Marceau (approximately 9,600 sq.m.), which is in the process of being redeveloped with delivery scheduled for the first half of 2021.

Capitalised work carried out in 2019 totalled €49.9 million and concerned the above three redevelopment projects, as well as the full renovation of several floors in the Washington Plaza, 9 Percier and 176 Charles de Gaulle (Neuilly) buildings.

1.3. Portfolio operations

No properties were purchased or sold during 2019.

1.4. Property portfolio value

The consolidated market value of the portfolio at 31 December 2019 was €7,158 million excluding transfer costs, an increase of 9.0% from €6,570 million at 31 December 2018. The increase reflected a targeted narrowing of yields on prime Paris properties, a further increase in rental values resulting from the Company's good lettings performance during the year, and changes in the status of properties undergoing redevelopment in 2019 with the completion of major administrative and marketing phases.

The average EPRA topped-up net initial yield (NIY) was 3.0% at 31 December 2019, down slightly from 3.2% at 31 December 2018.

Substantially all of the portfolio consists of prime office properties (78.1% of the total), retail units and a hotel (21%). Residential units represent just 0.9% of the total and are located in a mixed-use building primarily made over to retail space.

2. Results

2.1. Consolidated financial results

2.1.1. Consolidated profit for the year

Rental income amounted to €198.7 million in 2019 versus €193.5 million the previous year, an increase of €5.2 million (up 2.7%).

- On a like-for-like basis (excluding all changes in the portfolio affecting year-on-year comparisons), rental income was €5.6 million higher (up 3.1%). The increase was attributable to new leases signed in 2018 and 2019, mainly in the Cézanne Saint-Honoré, Washington Plaza and Louvre Saint-Honoré properties, and to index increases.
- Rental income from spaces being redeveloped was down by €2.9 million, mainly reflecting the departure of all the tenants from the 83 Marceau building, which is currently being renovated and remarketed, and the refurbishment of several floors in the 176 Charles de Gaulle building in Neuilly that were vacated at the end of 2018.
- Lastly, income from various penalties was up by €2.4 million, mainly due to the early termination of a lease at 103 Grenelle in the third quarter.

Operating profit before disposals and fair value adjustments to investment property amounted to €172.8 million in 2019, an increase of 6.6% from €162.1 million the year before.

The portfolio's appraisal value grew by 9.0% over the year, despite the absence of any property acquisitions. The increase led to the recognition of positive fair value adjustments to investment property of €526.9 million in 2019 compared with positive adjustments of €289.0 million in 2018.

Net finance costs amounted to €28.1 million in 2019 versus €52.0 million the previous year. The €23.9 million decrease was primarily due to the high basis of comparison created in 2018 by the non-recurring costs recorded on €300 million worth of bond buybacks. Recurring finance costs, which came to €26.4 million, declined by a significant €4.2 million over the year, reflecting a further improvement in average refinancing costs.

After taking into account these key items, the Group reported attributable net profit for the year of €589.8 million, versus €351.6 million in 2018.

Excluding the impact of disposals, changes in the fair value of investment property and financial instruments and the related tax effect, the Group's EPRA earnings rose by a strong 11.8% in 2019 to a record high of €119.2 million compared with €106.7 million the previous year.

2.1.2. Financing

Several financing transactions were carried out during the year as part of the process of active debt management. The aim of these transactions was to take advantage of the low interest rate environment to further reduce the Company's average borrowing costs while also extending the average maturity of its fixed rate hedges.

The €390 million five-year syndicated revolving line of credit set up in June has increased the amount and extended the maturity of the Company's undrawn confirmed lines of credit, which totalled €990 million at 31 December 2019.

The Company also took advantage of the very low interest rates available in the third quarter of 2019 to increase its fixed rate hedges by setting up forward swaps and a collar on a total notional amount of €300 million expiring between September and November 2026.

In addition, maximum issuance under the negotiable European commercial paper (NEU CP) programme was increased to €500 million. Issuance under the programme amounted to €387 million at 31 December 2019.

Net debt at 31 December 2019 amounted to €1,732 million, compared with €1,688 million at 31 December 2018, representing a loan-to-value ratio of 22.7%. The average maturity of net debt was 4.2 years and the average cost after hedging was 1.4%, down from the year-earlier level. At the same date, the interest coverage ratio stood at 6.6x.

2.1.3. Triple net asset value

EPRA NNNAV stood at €4,461 million or €95.9 per share at 31 December 2019, an increase of 11.1% versus €86.3 per share at 31 December 2018 (after payment of a dividend of €2.65 per share in April 2019).

2.2. Company financial results

2.2.1. Parent company results and financial position

Parent company results for the year ended 31 December 2019 can be analysed as follows:

The Company reported revenue of €108.1 million in 2019 compared with €107.7 million in 2018, representing a slight increase of €0.4 million (up 0.4%). Revenue from the #cloud.paris, Édouard VII and 131 Wagram properties increased significantly, with the arrival of new tenants or the expiry of rent-free periods. However, the gains were partly offset by the departure of all the tenants from 83 Marceau, which is in the process of being renovated, and from several floors in the 176 Charles de Gaulle building at the end of 2018.

Operating expenses were reduced by €3.3 million, reflecting the decrease in depreciation expense relating to the Group's properties due to the start of renovation work on 83 Marceau, which currently stands completely empty.

Operating profit totalled €44.0 million in 2019, an increase of 13.2% compared with 2018.

The Company recorded net financial income of €17.9 million in 2019 versus a net financial expense of €12.4 million the previous year. The positive swing was partly attributable to the €17.2 million balancing payment made in 2018 upon the buyback of €300 million worth of bonds, which created an unfavourable basis of comparison. Excluding this payment, the year-on-year change was a €13.1 million improvement, including €8.0 million in additional dividend income (mainly from the Paul Cézanne and 103 Grenelle subsidiaries) and €2.7 million attributable to lower borrowing costs.

After taking into account the above items, the Company reported a profit before tax and other income and expense of €62.0 million in 2019, representing a sharp increase from €26.5 million the previous year.

Net profit for the year, after other income and expense, employee profit-sharing and tax, came in at €58.2 million versus €22.2 million in 2018.

Total assets were stable over the year, amounting to €2,553 million at 31 December 2019 (up 1.2%).

Five years' financial information for the parent company is provided in Appendix 13.3 to this Management Report, as required by Article R.225-102 of the French Commercial Code (page 78).

DISCLOSURES CONCERNING SUPPLIER AND CUSTOMER PAYMENT TERMS PROVIDED IN ACCORDANCE WITH ARTICLE D.441-4 OF THE FRENCH COMMERCIAL CODE

Outstanding supplier and customer invoices due as at 31 December 2019 (table prepared in application of Article D.441-4 I of the French Commercial Code)

	Article D.441 I.-1 of the French Commercial Code: Outstanding ***supplier invoices*** due as at 31 December 2018						Article D.441 I.-2 of the French Commercial Code: Outstanding ***customer invoices*** due as at 31 December 2018					
	0 day (indicative)	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total (at least 1 day past due)	0 day (indicative)	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total (at least 1 day past due)
(A) Period past due												
Number of invoices concerned	72	–	–	–	–	125	–	–	–	–	–	77
Total amount past due, including VAT	694,673	764,331	32,577	48,946	364,356	1,210,210	–	44,605	38,772	514,129	327,685	925,191
% of total purchases (including VAT) for the year	0.75%	0.82%	0.04%	0.05%	0.39%	1.30%	–	–	–	–	–	–
% of total sales (including VAT) for the year	–	–	–	–	–	–	–	0.03%	0.03%	0.40%	0.25%	0.71%
(B) Invoices excluded from (A) that have been disputed by SFL or the customer or have not been recorded in the accounts												
Number of invoices excluded	–	–	–	–	–	–	–	–	–	7	135	142
Total amount excluded, including VAT	–	–	–	–	–	–	–	–	–	54,123	961,266	1,015,389
(C) Reference payment terms (contractual or statutory – Article L.441-6 or Article L.443-1 of the French Commercial Code)												
Payment terms used to calculate the number of days past due	- Statutory terms						- Contractual terms					

2.2.2. Appropriation of net profit

The Company reported net profit for the year, after tax and provision charges, of €58,206,015.20

Profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

Net profit for the year ended 31 December 2019	€58,206,015.20
Retained earnings brought forward from the prior year	€65,884,984.90
Profit available for distribution	€124,091,000.10

We recommend:

- after noting the existence of profit available for distribution, paying to shareholders a dividend per share of €2.65, representing a total payout of €123,301,781.10 based on the 46,528,974 shares outstanding at 31 December 2019;
- deducting the recommended dividend from the following accounts:
  - €58,206,015.20 from net profit for the year,
  - €65,095,765.90 from retained earnings, after which this account will have a balance of €789,219.00.

The shares will trade ex-dividend from 21 April 2020 and the dividend will be paid in cash from 23 April 2020.

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.

The dividend of €2.65 per share will correspond to the distribution of the following items:
- €0.28 will be paid out of profits that are subject to corporate income tax in the normal way. For this portion of the dividend, shareholders who have made a general election to pay tax at the graduated rate will be entitled to the 40% tax relief provided for in Article 158-3.2 of the French Tax Code (*Code Général des Impôts*).
- €2.37 will be paid out of profits that are exempt from corporate income tax under the tax rules applicable to French real estate investment trusts ("SIICs"). Consequently, for this portion of the dividend, shareholders will not be entitled to the 40% tax relief provided for in Article 158-3.2 of the French Tax Code, even if they have made a general election to pay tax at the graduated rate (Article 158-3.3 *bis* of the French Tax Code).

The dividend will be subject to the flat tax (*prélèvement forfaitaire non libératoire*) provided for in Article 117 *quater* of the French Tax Code and the withholding tax (*retenue à la source*) provided for in Article 119 *bis* of the French Tax Code, as follows:

In the case of individual shareholders who are resident in France for tax purposes and whose SFL shares are not held in a "PEA" personal equity plan, the dividend will be subject to a flat tax of 12.8% in accordance with Article 117 *quater* of the French Tax Code.

Dividends will be subject to withholding tax at the rate of 12.8% if they are paid to individual shareholders who are not resident in France for tax purposes. This rate will be increased to:
- 15% if the dividends are paid to (i) not-profit organisations that have their headquarters in a member state of the European Union, Iceland, Norway or Liechtenstein and would be taxed in accordance with Article 206-5 of the French Tax Code if they had their headquarters in France, or (ii) to French OPCVMs, OPCIs, SICAFs or other equivalent French or foreign investment funds;
- 75% if the dividends are paid outside France, in an "uncooperative" country or jurisdiction within the meaning of Article 238-0A 1 and 2 *bis* 1 of the French Tax Code; or
- 28% (for 2020) in all other cases (Articles 119 *bis* and 187 of the French Tax Code).

However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries will be required to provide a certificate of residence to benefit from the treaty rate.

If a corporate shareholder were to own, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder were exempt from French corporate income tax or an equivalent foreign tax, SFL would have to pay a 20% flat tax on the dividends paid to the shareholder concerned out of profits generated by its SIIC activities. To avoid the 20% tax, the non-resident shareholder would have to provide a certificate stating that the dividends paid out of the "SIIC" profits would be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime (Article 208 C II *ter* of the French Tax Code).

2.2.3. Non-deductible expenses

The SFL parent 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 2019 accounting documents and information on the Company's business, earnings and financial position provided for in Article L.2312-25 of the French Labour Code (*Code du travail)* have duly been given to the Company's Economic and Social Committee.

2.2.4. Related party agreements

No related party agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code were entered into in 2019.

2.3. Non-financial results

Non-financial results are presented in the report on the Non-financial Information Statement (see pages 36 *et seq.*)

2.4. Review of the Group's main subsidiaries

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 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
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SCI Washington	432 513 299	66	66
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100

SAS Société Immobilière Victoria, which was included in the consolidation scope at 31 December 2018, was merged with Société Foncière Lyonnaise on 16 May 2019, with retroactive effect from 1 January 2019.

The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SOCIMI, SA, which owned 81.7% of the capital at 31 December 2019.

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2019 (in thousands of euros)

Company	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment		Outstanding loans and advances	Guarantees provided by SFL	Last published net revenue	Last published profit/(loss)	Dividends received by SFL during the year	Observations
				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	118,611	100%	291,847	291,847	–	–	18,881	14,865	–	–
SCI 103 Grenelle	0.15	12,537	100%	1,169	1,169	150,915	–	12,732	8,603	–	–
SCI Washington	94,872	20,997	66%	79,789	79,789	86,833	–	25,735	14,836	–	–
SAS Maud	1,480	(331)	100%	2,450	2,450	–	–	5,491	(331)	–	–
2 – Affiliates (10-50%-owned)											
SAS Parholding	15,000	14,376	50%	18,400	18,400	–	–	–	11,516	3,394	–
B – Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)				300	300	201,478	–	–	2,741	580	–
Affiliates (less than 50%-owned)				–	–	–	–	–	–	–	–

3. EPRA Indicators

SUMMARY

	2019	2018
EPRA Earnings (€m)	**119.2**	**106.7**
/share	*€2.56*	*€2.29*
EPRA Cost Ratio (incl. vacancy costs)	13.3%	13.9%
EPRA Cost Ratio (excl. vacancy costs)	12.4%	12.6%

	31 Dec. 2019	31 Dec. 2018
EPRA NAV (€m)	**4,623**	**4,142**
/share	*€99.4*	*€89.0*
EPRA NNNAV (€m)	**4,461**	**4,017**
/share	*€95.9*	*€86.3*
EPRA Net Initial Yield (NIY)	2.7%	2.8%
EPRA Topped-Up NIY	3.0%	3.2%
EPRA Vacancy Rate*	1.6%	1.6%

* Group share.

EPRA EARNINGS

(in € millions)	**2019**	**2018**
Attributable net profit	**589.8**	**351.6**
Less:		
Profit/(loss) on asset disposals	–	–
Fair value adjustments on investment property	(526.9)	(289.0)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	1.7	21.4
Tax on the above items	14.0	5.3
Non-controlling interests in the above items	40.6	17.3
EPRA earnings	**119.2**	**106.7**

EPRA COST RATIOS

(in € millions)	**2019**	**2018**
Corporate expenses	22.9	21.8
Net service charges	9.9	10.8
Less:		
- managed facility expenses	(5.7)	(6.6)
- own-work capitalised	(1.5)	–
EPRA costs (including vacancy costs) (A)	**25.6**	**25.9**
Direct vacancy costs	1.7	2.3
EPRA costs (excluding vacancy costs) (B)	**23.9**	**23.6**
Gross rents	198.7	193.5
Less: managed facility expenses	(5.7)	(6.6)
Gross rental income (C)	**193.0**	**186.9**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**13.3%**	**13.9%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**12.4%**	**12.6%**

NAV/NNNAV

(in € millions)	31 December 2019	31 December 2018
Equity	4,485	4,010
Treasury shares	8	10
Unrealised capital gains	23	19
Elimination of financial instruments at fair value	(4)	0
Elimination of deferred taxes	111	103
EPRA NAV	**4,623**	**4,142**
Financial instruments at fair value	4	0
Fixed-rate debt at fair value	(55)	(22)
Deferred taxes	(111)	(103)
EPRA NNNAV	**4,461**	**4,017**

EPRA NET INITIAL YIELD/EPRA TOPPED-UP NIY

(in € millions)	31 December 2019	31 December 2018
Portfolio value excluding transfer costs	7,158	6,570
Less developments	*(953)*	*(664)*
Portfolio value excluding transfer costs. less development costs	**6,204**	**5,906**
Transfer costs on property portfolio	426	405
Portfolio value including transfer costs, less development costs (B)	**6,630**	**6,311**
Annualised cash rents	184	183
Irrecoverable property expenses	(3)	(3)
Annualised net rental income (excluding rent-free periods) (A)	**181**	**180**
Plus: rent-free periods and other lease incentives	21	22
Annualised net rental income (C)	**202**	**201**
EPRA NIY (A/B)	**2.7%**	**2.8%**
EPRA Topped-Up NIY (C/B)	**3.0%**	**3.2%**

4. Outlook

4.1. Subsequent events

Significant events since 31 December 2018

See specific risk related to coronavirus, on page 14.

4.2. Outlook

Forecast developments and outlook

SFL has a portfolio of prime properties that are almost fully let and boasts a robust financial structure. The Company can leverage these strengths to take up investment opportunities in its market, in line with its strategy of maintaining a portfolio of Paris office properties offering a high reversionary potential once they have been redeveloped.

4.3. Strategy and objectives

SFL's portfolio is invested for the most part in large prime commercial assets located in Paris's central business districts. The Company's investment strategy consists of making long-term investments in carefully selected, potentially high-yield properties that offer scope to create value. Its positioning in this market segment generates very healthy rental yields and exceptionally high occupancy rates in the current favourable environment. The lasting quality of our properties is a very positive factor, as can be seen from our low tenant turnover rate (less than 10% a year). We pay close attention to investment opportunities in a market where prices are still very high. All new investments are very carefully selected, based on their potential to create significant value. In this regard, the major driver of strategic value creation lies in the properties purchased for redevelopment.

Financial objectives:

- Secure optimised rental streams over the long term (by leveraging a portfolio of prime properties meeting the latest technical and environmental standards, of a high architectural quality, etc.).
- Identify value creation opportunities and pursue an ambitious, exacting and innovative property redevelopment strategy (to optimise the properties' reversionary potential, etc.)
- Reduce vacancy rates and, wherever possible, pre-let major properties in the process of redevelopment.

Non-financial objectives:
– Environmental performance:
  • Reduce the portfolio's carbon footprint (by giving preference to low-carbon energy sources).
  • Reduce energy and water use, and greenhouse gas emissions (based on targets set for the period 2011 to 2020).
  • Improve our environmental indicators.
  • Install renewable energy sources (solar or photovoltaic panels, etc.).
  • Increase the number of properties in the portfolio connected to the district cooling network (Climespace).
  • Promote urban biodiversity (by increasing the properties' planted areas).
– Improve quality of life in the properties and increase customer satisfaction (40,000 people)
  • Place tenant relationships top-of-mind at SFL and make them a central focus of our organisation.
  • Promote and develop new forms of urban mobility (by including dedicated spaces for electric cars and electrical bicycles in the parking garages, along with parking areas for bicycles, etc.) and guarantee access for all people with disabilities.
  • Promote new uses of underground floors (fitness and wellness rooms, modular meeting rooms, co-working spaces, business enter, auditorium, etc.).
– Pursue and develop corporate sponsorship initiatives that promote and advance forward-looking thinking about architecture and aesthetics in the city, which is a key plank of SFL's product strategy (architectural quality of the buildings).
– Seek opportunities at its level to invest in practical initiatives in favour of more responsible urban planning, working in cooperation with the city authorities.

5. Risk Factors

Investors are invited to consider all of the disclosures in this report, including the following discussion of the Company's specific risk exposures, before deciding to purchase the Company's shares on the primary or secondary market.

The Company has reviewed the specific risk exposures that could have a material adverse effect on the Company, its business, financial position, results, outlook or ability to fulfil its objectives.

As of the date of this report, the Company is not aware of any material risk exposures that are not disclosed in this section.

Investors should nevertheless bear in mind that what follows does not purport to be a comprehensive description of all the risks and uncertainties facing the Company. For one thing, the Company is exposed to general risks that are common to all businesses and not specific to SFL. Added to that, other unknown risks or uncertainties, or risks or uncertainties whose occurrence is not considered, at the date of this document, as likely to have a material adverse effect on the Company, its business, financial position, results or outlook, may exist or could become significant factors that may have a material adverse effect on the Company, its business, financial position, results or outlook.

The risk factors are presented in different categories. Within each category, risks are presented in declining order of importance based on the probability of occurrence (high or moderate) and the estimated magnitude of their adverse effect, as assessed by the Company at the date of this report.

Specific risk: Coronavirus – Covid-19

(Information added after the meeting of the Board of Directors of 6 February 2020)

The Company has set up a process to regularly assess the impacts of the coronavirus epidemic.

The impacts currently appear to be limited, due to the nature of the Company's business and the fact that its asset portfolio consists of office properties that are almost fully tenanted.

Notwithstanding this observation, a special monitoring and management committee has been set up, comprising members of senior management and the heads of operating units.

In addition, a set of measures has been put in place to manage the effects of the epidemic.

These measures cover two areas:

1) Properties in use:
– Systematic implementation of public health measures.
– Identification and assessment – asset by asset – of the core services needed to operate the buildings, based on the contingency plans obtained from the service providers and centralised by the Company.
– Communication of information concerning continuity of services to the buildings' tenants.
– Creation of registers to log possible cases of coronavirus among the users of each building.

2) Continuity of the Company's operations:
– Home-working solutions (already provided for in the corporate agreement dated 4 December 2019).
– Deployment of digital applications and related procedures to allow home-working.
– Restrictions on business travel and employee participation in industry events.

A. RISKS THAT ARE SPECIFIC TO THE PROPERTY SECTOR	
Risk factors	**Risk prevention/mitigation measures**
High risk	
1) Property cycle risks	
We are exposed to the risk of a cyclical reversal of the rental and/or investment market triggered by a downturn in the domestic and global economic and financial situation. Adverse effects: – Lower rental income – Fall in portfolio values – Lost opportunities to purchase and sell properties – Decline in operating profit – Erosion of NAV	– The risk of a cyclical market reversal is measured and taken into account by performing sensitivity tests to determine the impact of a 25 bps increase/decrease in exit yields and discount rates. The tests show that a combined increase or decrease in these two rates would have an impact of less than 10% on the overall value of our portfolio. – A property market monitoring system has been set up. – The information needed to evaluate this risk is provided in Notes IV-5 to the consolidated financial statements (pages 154 and 155).
2) 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 NAV. Adverse effects: – On the consolidated financial statements – On the income statement – On NAV	– All of the Group's property assets are valued by qualified independent valuers. – Valuations are performed in accordance with the *Charte d'Expertise en Evaluation Immobilière* (property valuation charter) and comply with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (the RICS) standards. • Valuations are performed by two experts (Cushman & Wakefield: 58%, CBRE: 42%). (See also Notes IV-5 to the consolidated financial statements (Investment property), pages 154 to 155.
3) Risk of a credit crunch	
We are exposed to the risk that a faster-than-expected increase in interest rates could destabilise the financial markets, driving up borrowing costs and potentially making it difficult to access bank financing. Adverse effects: – Restricted ability to purchase new assets – Restricted ability to redevelop assets – Difficulties in refinancing existing debt – Increased finance costs – Erosion of NAV	– Regular cash forecasts are prepared. – Outstanding debt and available borrowing capacity under our lines of credit are monitored. – Our credit ratings are monitored. – Funds can be raised by selling assets, although this alternative source of financing is also subject to market risks (price risk, market liquidity risk). In addition, asset sales carried out when prices are depressed and amid a shortage of potential buyers, or before their full reversionary potential has been achieved, would result in opportunity losses.
Moderate risk	
4) Risks associated with a highly competitive environment	
We are exposed to competition from investors with considerable equity capital, such as insurers, SCPI and OCPI property funds and sovereign wealth funds, and from other investors with fairly moderate levels of debt and gearing. Adverse effects: – Inability to acquire assets – Lower rental income – Decline in operating profit – Erosion of NAV	– Our business is strategically focused on a prime market segment. – We have established a high quality sector monitoring system. – We have covenant-free financing capacity.

B. SECTOR-SPECIFIC OPERATIONAL RISKS	
Risk factors	**Risk prevention/mitigation measures**
High risk	
5) Tenant insolvency risk, correlated to economic growth and levels of inflation and consumer spending	
We are exposed to the risk of tenant default and rent arrears, non-renewal of leases and lease renewals on less favourable terms. <u>Adverse effects</u>: – Increased EPRA vacancy rate – Lower rental income – Decline in operating profit	– Tenant diversification: at 31 December 2019, our top ten tenants accounted for around 39.3% of total rental income and the top five for roughly 24.0%. – 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. – New tenants are subject to credit checks before the lease is signed. – Half-yearly financial health checks are performed for tenants with rent arrears at the period-end. – Lease expiry dates and EPRA vacancy rates are closely tracked. – A system is in place to enable us to anticipate lease renewals (e.g., to approach tenants with a view to renegotiating the rent or schedule refurbishment work). – Rent arrears are closely monitored. See also Note V-3 to the consolidated financial statements (Trade and other receivables), page 157.
6) Risk of asset obsolescence and impairment	
We are exposed to risks related to the sensitivity of assets to changes in environmental and other regulatory standards and to CSR issues. <u>Adverse effects</u>: – Loss of attractiveness to tenants – Higher insurance premiums, operating costs and construction costs – Erosion of NAV – Erosion of SFL's image and reputation	– Close attention is paid to planning asset renovation and redevelopment work, and enhancing assets through the addition of new services. – CSR issues are deeply embedded in the Company's property strategy: • The CSR Committee meets twice a year to define the broad strategic goals for each CSR issue. • Procedures are performed to ensure that the Company's CSR performance reflects best industry practice and is recognised by the property valuers. • SFL also complies with the recommendations issued by EPRA for its CSR reporting. • To better understand the expectations of customers and the market, SFL conducted two surveys of its buildings' users in 2017 and 2018, and in 2019, a ParisWorkPlace survey among 2,000 executives in the Paris area on their habits and their expectations in terms of offices, in order to perform comparisons based on a larger population that was still highly representative of the people working in SFL's properties. (see Non-Financial Information Statement – NFIS, pages 36 *et seq*).

B. SECTOR-SPECIFIC OPERATIONAL RISKS *(continued)*	
Risk factors	**Risk prevention/mitigation measures**
Moderate risk	
7) Risks associated with the loss of key personnel	
We are exposed to the risk of losing mission-critical skills if top management, Management Committee members and/or key executives leave the Company. <u>Adverse effects</u>: – Decline in profits – Loss of investor confidence – Erosion of SFL's image and reputation	– Our remuneration policy is designed to retain key executives.
8) Risks associated with subcontractors and other service providers	
We make extensive use of subcontractors and other service providers: – For major redevelopment and renovation projects, and – For the day-to-day maintenance of our properties. Our dependence on outside contractors to complete projects on time is aggravated by the fact that there are relatively few construction companies with the capacity to carry out major renovation work or property redevelopment projects in Paris. There is a risk of contractors failing to honour their commitments or delivering substandard work. <u>Adverse effects</u>: – Delays in completing projects, budget overruns, delays in putting properties back on the rental market – Disruption of the performance bond compliance process – Decline in operating profit – Erosion of SFL's image and reputation	– Subcontractors and service providers are selected through a competitive tendering process. – We apply a contractor diversification policy. – The quality of contractor services is closely monitored.

C. LEGAL AND TAX RISKS ASSOCIATED WITH THE PROPERTY BUSINESS	
Risk factors	**Risk prevention/mitigation measures**
Moderate risk	
9) General regulatory compliance risks	
We are subject to very detailed and constantly evolving regulations, covering construction operations, commercial leases, administrative permits, safety, the environment and public health issues. Compliance costs are very high. We are exposed to civil and criminal liability risks in the event of regulatory breaches (particularly for environmental damage or public health incidents, or reckless endangerment). There is a risk of tenants failing to strictly comply with all applicable environmental and health and safety regulations. Adverse effects: – Deterioration of profits, margins, growth and development outlook – Erosion of SFL's image and reputation	– We have the legal and technical skill-sets needed to manage these risks: • A specialised Legal Department is responsible for monitoring regulatory developments and overseeing compliance with the various regulations applicable to our business. • We also use the services of external advisors and consultants where necessary. • Internal procedures have been set up to raise the level of accountability of the various people involved. • A technical unit has been set up with specific responsibility for environmental, health and safety compliance.
10) 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 that oversee compliance with health and safety regulations in buildings open to the public. There is a risk of significant delays in obtaining these permits and other authorisations, or of plans having to be modified before the permit will be granted. Once the permits are obtained, there is still a risk that third parties will raise objections. This may further delay the project and, in some cases, it may be necessary to adjust the plans. Adverse effects: – Project delays, budget overruns, abandoned projects – Impossibility of using certain assets – Erosion of the Company's business performance, results and financial position	– We systematically use the services of skilled professionals to prepare our projects (architects, engineering consultants, surveyors and marketability consultants); – We submit draft permit applications to the authorities to check that everything is in order, before filing them officially and before starting work.
11) Risks of neighbour complaints	
Most of our properties are located in densely populated urban areas and our major redevelopment projects give rise to the risk of disamenities (noise and/or vibrations). Neighbour complaints can lead to significant compensation claims or even injunctions to stop work. Adverse effects: – Project delays, budget overruns, abandoned projects – Erosion of the Company's results and financial position	– 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. – All contractors are required to take measures to limit disamenities, mainly by keeping public spaces clean and managing traffic, dust, noise and vibrations. – Noise pollution and other disamenities are closely monitored. – All contractors are now required to meet the high or very high performance criteria under France's HQE standards for maintaining "green" worksites with a minimal environmental footprint.
12) Risks associated with SIIC status	
We are exposed to the risk of losing the benefit of the SIIC tax regime if the eligibility rules are breached.	The conditions of eligibility for the SIIC regime are regularly monitored, especially changes in the tax authorities' position and legal precedent (dividend obligations, obligations concerning the level of control exercised by the majority shareholder, etc.).

D. FINANCIAL RISKS ASSOCIATED WITH THE PROPERTY BUSINESS	
Risk factors	**Risk prevention/mitigation measures**
Moderate risk	
13) Liquidity risk	
We are exposed to the risk of being unable to raise significant funds to finance capital expenditure and property purchases, and to replace debt at maturity. Adverse effects: – Deterioration of our ability to raise funds and consequently to access the liquidity needed to conduct the business – Deterioration of the Company's cash position and profits	– The liquidity represented by backup facilities is sufficient to cover the Group's repayment obligations regarding its lines of credit up until July 2022; – At 31 December 2019, SFL had access to confirmed undrawn lines of credit representing €990 million compared with €920 million at 31 December 2018; – We apply a policy of diversifying our sources of debt; – See also in Note VI-1 to the consolidated financial statements (Borrowings and other interest-bearing debt): • Analysis of borrowings by maturity (page 160); • Debt covenants and acceleration clauses (page 160).
14) Counterparty risk	
The banks that provide lines of credit and/or hedging instruments may fail to honour their commitments. Adverse effects: – Loss of the benefit of hedges; – Deterioration of the Company's financial position and profits	– All lines of credit and hedging instruments are arranged with leading banks. – Our minimal cash reserves are 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.
15) Interest rate risk	
We are exposed to the risk of higher interest rates, and the consequential risk of being unable to raise the necessary financial resources to meet our working capital and investment needs. Adverse effects: – Higher interest charges – Increased finance costs	– 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; – This allows us to efficiently quantify and analyse the risks associated with interest rate fluctuations; – At least 70% of our debt is hedged against interest rate risks at all times; – The information needed to evaluate this risk is provided in Note VI-4 to the consolidated financial statements (page 162).

16) Information about the financial risks linked to the effects of climate change and the measures taken by the Company to reduce these risks through a low-carbon strategy applied across all business units is provided in the Non-Financial Information Statement (NFIS), page 36 *et seq.*

17) 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.

6. Insurance

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

6.1. Property insurance programme

Property damage insurance

This Group-level policy covers all fully-owned and co-owned property assets of the Company and its subsidiaries.

It covers all accidental damage to the properties (apart from certain named exclusions), as well as all resulting expenses and losses.

Buildings are insured with leading insurers on an all-risks basis with named exclusions.

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.

We take care to realign our insurance programmes whenever necessary due to changes in our own risks and those arising from our business environment.

The insurance strategy takes into account the estimated time required to rebuild and repair the properties after a major incident, considering their location, the complexity of the work that would be involved, the size of the site, unavoidable administrative time and any third party claims. Our properties are all located on prime sites and high-quality insurance cover is essential.

For all properties in the portfolio, the insured value has been capped at €350 million per claim since 1 January 2017, including loss of up to four years' rental income. This cap was set following a large-scale project to accurately estimate the rebuilding cost of the properties in the portfolio based on costings prepared by a firm of consultants, Galtier.

The project's results have helped us to understand and manage our risks and the basis for determining premiums by reference to the cost of rebuilding each property and the rental income that would be lost.

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.

For buildings that are no longer tenanted pending major redevelopment work, insurance cover is maintained for damage to the existing building, in addition to the construction insurance.

6.2. Corporate insurance

A) All-risks Office

The All-risks Office policy covers the furniture and equipment used at the Group's headquarters at 42 rue Washington 75008 Paris and the Square Édouard VII conference centre in the 9th *arrondissement*.

Consequential losses and expenses are also covered, as well as the additional operating or other costs that would have to be incurred to enable the Company to continue operating its business following events in which insured items are damaged.

B) IT Risks/Cyber Risks

The Company has been insured against cyber risks since 1 January 2019. It insures the financial consequences, up to €3 million per claim and per year, of the following:
– Losses and expenses incurred by SFL following a cyber attack or threatened attack on its information systems.
– Any complaint resulting from a cyber attack on the information system of the Company or a third party, or the communication of libellous information and/or information that breaches third party rights.

The policy covers the services of a computer forensics specialist on call 24/7 to assist SFL in the event of an incident affecting its information systems.

Damage to computer hardware is covered by the All-risks Office 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 per claim (combined single limit), including €15 million for direct and consequential damage. The total includes €1.5 million liability cover for sudden and accidental environmental damage and €2.5 million "inexcusable fault" cover per insurance year.
– Professional liability insurance for the Group, up to a maximum of €5 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 includes the comprehensive site insurance policies purchased for each project, and cover for direct and consequential losses incurred by third parties.

D) Directors' and Officers' Liability

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

6.3. 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.

7. Internal Control and Risk Management Procedures Implemented by the Company for the Preparation and Processing of Accounting and Financial Information (Article L.225-100-1 I 5° of the French Commercial Code)

This report describes the procedures set up by the Company to prevent and control risks arising in the course of its business, including 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, internal control and audit. The unit was beefed up last year by the creation of a fully-fledged Legal Department.

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

The internal audit function has been outsourced to KPMG since 2012 by decision of the Board of Directors based on the recommendation of the Audit Committee.

Internal audits covering specialist areas may be performed from time to time with the support of experts other than KPMG.

The internal audits are performed according to 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 presents:
– The internal control system, the people and structures responsible for its implementation, and the process for preparing financial and accounting information for shareholders.
– Internal control procedures, with details of their scope of application and the risks covered, including the specific risks inherent in the Company's business.
– An overview of the Audit Committee's work in 2019 and a comparison with best practices.

See also section 5 "Risk Factors" in the management report, pages 14 *et seq*.

7.1. 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. Executive management reports to the Audit Committee on the supervision of internal control.

7.1.1. 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.

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.

Management and cost accounting data are produced separately 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 units corresponding 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.

7.1.2. Delegations of authority

The list of authorised signatories is checked periodically and updated to take account of organisational changes.

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.

7.1.3. Information systems governance

The Information Systems Department is responsible for the routine and evolutive maintenance of the Company's information systems in line with 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 is built around ESTIA software, which includes property management and statutory accounting applications, and various asset management, technical building management, human resources and financial management solutions.

The Information Systems Department is continuing to deploy the three-year masterplan (covering the period 2018-2020) to migrate to a modern technological platform with applications that are better aligned with the needs of the Company's activities. The main activities covered by the transformation are rent roll management, technical management of the buildings and redevelopment/renovation work, and financial reporting.

In 2019, a project was launched for the development of a data warehouse that automatically generates indicators and financial reports to support decision-making processes. The project will be extended in 2020 to cover the production of accounting and operating data.

In addition, thanks to the project to develop a building technical management application, in 2020 it will be possible for all the people involved in managing these assets to access centrally managed building operations data and data on major redevelopment projects.

In the area of office systems, following migration to Office 365, all work stations will be replaced in the first quarter of 2020 in a Microsoft Intune environment. The second half of the year, we will gradually transition to Teams and an integrated telephone system.

7.1.4. 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.

7.2. Internal control procedures

7.2.1. Procedures for identifying and managing business-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 Accounting 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 dedicated 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.

Procedures are performed at several levels to ensure that internal control objectives of completeness and valuation are met for liabilities:
- Tenant risks, which are managed by the Receivables Accounting unit, are reviewed regularly by the legal Department and are also subject to second-tier controls;
- The risk of legal disputes with the Company's partners is closely monitored, with technical guidance from 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.

7.2.2. 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 arrears, 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 14 *et seq*.

7.2.3. 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 rebuilding or replacement cost as well as loss of rental income for 48 months for buildings in use, with an overall cap of €350 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.

Details of the Group's various insurance policies are provided on pages 19 *et seq.*

7.2.4. Controls over the quality of accounting and financial information

As a company listed on Euronext Paris, SFL has to take a more rigorous, highly disciplined approach to preparing financial information.

With a very high capital-per-employee ratio, we use 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.

We participate 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.

7.2.5. Book-keeping procedures

The accounts of all Group companies are kept on the same internal accounting system, which is integrated in the management information system.

The Accounting Department, which is part of the Finance Department, is organised around three units, Payables Accounting, Receivables Accounting and Corporate. It monitors regulatory changes and their application by the Group, based on the advice of external advisors, where appropriate.

The corporate accountants each keep the accounts of one or several consolidated companies. Their work is overseen by their respective managers who also replace corporate accountants if necessary.

7.2.6. Procedure for the preparation of the consolidated financial statements

The consolidated financial statements are produced using consolidation software that represents a market standard, guaranteeing its reliability and maintainability. The consolidated financial statements are prepared in accordance with the IFRSs adopted by the European Union.

A full set of monthly consolidated accounts is produced and submitted to the Company's majority shareholder. All departments are concerned and controls are performed over the centralised data to ensure that the reported statutory and management accounting data have been prepared on a consistent basis. These full monthly accounts are not audited or published.

The half-yearly and annual financial statements represent 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 adhered to.

The Audit Committee meets twice a year to review with the external auditors the 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.

7.2.7. Budget and business plan procedures

The Budget Control Department produces a rolling five-year business plan, the first year of which corresponds to the budget. It collects, aggregates and consolidates the data reported by each operating unit, and analyses the consolidated data.

Revenue, expense and capex projections are presented separately for each building, and rental income projections are analysed on a lease-by-lease basis.

The business plan includes:
– Five-year profit and loss account projections.
– Projected changes in consolidated debt.
– Key financial ratios, such as EBITDA, EPRA earnings, loan-to-value (LTV) and NAV.

The budget and the business plan are submitted to the Board of Directors for approval.

As well as playing an essential role as a roadmap for the business, they provide a basis for checking and analysing the monthly consolidated financial statements in order to improve the reliability of the accounting and financial information submitted to the majority shareholder and released to the market.

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 in line with the needs of a top-tier listed company.

7.2.8. Controls over liquidity risks

Our 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.

7.2.9. Management of market risks

Market risks are managed on a conservative basis, without taking any speculative positions. In particular, the Company has no exposure to interest rate risk on 89% of debt, with 83% of debt at fixed rates and 6% hedged using caps. If applicable, our policy is to hedge interest rate risk on at least 70% of debt using swaps or caps.

7.2.10. Management of 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.

7.2.11. 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 our 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. An Internet platform has been set up to ensure implementation of all the controls required by the regulations, based on appropriate tracking indicators.

7.2.12. Purchases and contract tendering

Routine purchases are made from approved suppliers at regularly negotiated prices. For other purchases, competitive bids are obtained from several companies or suppliers where appropriate.

7.3. Overview of the audit committee's work in 2019 and comparison with best practices

7.3.1. The Audit Committee's role and best practices

In accordance with Article L.823-19 of the French Commercial Code, amended by French government order 2016-315 dated 17 March 2016, the AFEP-MEDEF Code and the Board of Directors' internal rules, the role of the Audit Committee is to:

– Monitor the process for the preparation of financial information and make any necessary recommendations to guarantee the information's integrity.
– Monitor the effectiveness of internal control and risk management systems and, if applicable, of the internal audit of the procedures for the preparation and processing of accounting and financial information, without affecting its independence.
– Make recommendations concerning the firm of accountants to be proposed for appointment as external auditors by the General Meeting and make recommendations to the Board of Directors concerning the re-appointment of incumbent auditors in accordance with Article L.823-3-1.
– Monitor the audit of the financial statements by the external auditors. To assist the Committee in this task, the auditors are required to submit to the Committee a report explaining the results of their audit, at the same time as their report setting out their audit opinion or earlier.
– Verify the independence of the external auditors.
– Define and monitor audits of controls over the Company's internal procedures and report the auditors' conclusions and recommendations to the Board of Directors.
– Report regularly to the Board of Directors on its activities. The Committee also reports to the Board on the results of the statutory audit of the financial statements, the ways in which the audit contributed to the integrity of reported financial information and the Committee's role in the process. It is also required to notify the Board immediately of any audit-related problems.
– Approve the provision of non-audit services (NAS) by the external auditors. The auditors may perform authorised non-audit services subject to the following two conditions:
  • the services concerned do not threaten the auditors' independence, and
  • the fees for permitted NAS do not exceed 70% of the average fees paid in the last three financial years for the audit of the consolidated financial statements of the PIE and, if applicable, the entity that controls or is controlled by the PIE. The 70% cap will apply for the first time to NAS provided during the financial year beginning on 1 January 2020.

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 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 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 errors and fraud.
– Analyse in detail the procedures performed by the external auditors and verify that the auditors' recommendations have been implemented.
– Anticipate and determine the required internal control work.

The Chairman of the Audit Committee regularly updated the Board of Directors about the Committee's work in 2019 so that the Board could assess this work.

The auditors are required to submit to the Audit Committee their audit plan, a description of material weaknesses in internal control over the preparation and processing of accounting and financial information, details of any changes to be made to the financial statements and details of any irregularities or misstatements identified during the audit.

The auditors are also required to submit to the Audit Committee the report provided for in Article L.823-16 of the French Commercial Code, the annual declaration of independence and details of their fees and the services provided.

7.3.2. Internal audits performed in 2019

At its meeting on 10 January 2019, the Audit Committee defined and approved the internal audit programme for the year based on the Company's risk map.

The 2019 programme covered the following:
i) General Data Protection Regulation (GDPR).
ii) Delegations of authority.
iii) Changes in salary levels.
iv) Cyber security risk affecting SFL's building technical management systems.
v) Capex.
vi) Major redevelopment project launch and budget control processes.

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.

i) Review of procedures relating to the General Data Protection Regulation (GDPR)

Objective

The audit objective was to review and test the Company's GDPR procedures and obtain assurance that all risk areas had been identified and are covered by these procedures.

Background

SFL's exposure to data protection risk is limited. In the course of its business, it collects relatively little personal data. Most of these data concern tenants, most of which are trading companies such that the information held by SFL is not particularly sensitive, and suppliers, for which the information is often limited to a list of contacts. The only personal data held by SFL that may be considered sensitive concern its employees. Protection of data is guaranteed by ADP, the company that manages our payroll.

Nevertheless, several action plans have been implemented as part of our GDPR compliance programme. These concern:

- *Records of processing activities (Article 30 of the GDPR)*: for each asset and for the corporate departments, a record is kept of the service providers used by SFL, the service providers that collect personal data in the course of their activities, the contact persons at each service provider, etc.
- *Updating of contractual relationships with suppliers/service providers:* A standard clause has been drafted and will be gradually added to all contracts with suppliers and service providers, to provide assurance that the new regulatory framework established by the GDPR is taken into account by all the parties.
- *Employee awareness raising/training:* Two training sessions have been organised for employees on the issues and challenges raised by the GDPR, especially the risks incurred by SFL in the event that data are lost.
- *An IT charter:* SFL's new IT charter establishes the framework for computer systems access and use, and the related confidentiality and data security rules.

Conclusion

On completion of the audit, KPMG issued the following two recommendations (with a low criticality rating):

- Improve the records of processing activities in order to obtain assurance that all information required by the GDPR is recorded.
- Rapidly update supplier contracts to include the GDPR clause, instead of waiting until each contract comes up for renewal as currently planned.

ii) Review of delegations of authority management procedures

Objective

The audit objective was to review and test the Company's procedures concerning delegations of authority and obtain assurance that they are correctly implemented.

Background

This audit followed on from a 2012 audit that resulted in four recommendations being made. The overall organisation of delegations of authority and the related controls at SFL was completely overhauled in 2018.

Conclusion

After completing this audit, KPMG concluded that the organisation of delegations of authority and the related controls at SFL was efficient and effective: the roles and responsibilities of each concerned person are clearly defined in the corresponding procedure; SFL employees are aware of the delegation concept and its consequences; controls are efficiently and effectively performed and evidenced at each stage in the various processes, such as for expenditure commitments or the recording and payment of invoices.

Consequently, KPMG did not issue any further recommendations.

iii) Process for tracking changes in salaries

Objective

The audit objective was to review and test the Company's procedures for tracking changes in salaries and obtain assurance that all risk areas have been identified and are covered by these procedures.

Background

The strengths of the current process for tracking changes in salaries – hiring salary, merit increases based on performance appraisals and contract terminations – are as follows:

- The HR department is appropriately organised and aligned with the Company's size, with hiring and payroll management outsourced to service providers.
- The Company's clearly defined hiring procedure, involving management and a firm of recruitment consultants, ensures that conditions in the job market are fully taken into account and high quality candidates are hired.
- A detailed written procedure has been issued covering annual performance appraisals, annual salary reviews and bonus awards.
- A clearly defined procedure exists and is implemented to ensure that the labour authorities do not reject negotiated departures (the main reason for employee departures other than retirement) or requalify them as terminations.

Conclusion

On completion of the audit, KPMG issued the following two recommendations (with a low criticality rating):

– Issue a written hiring procedure to provide assurance that the applicable rules are known by everyone concerned.
– Issue a written procedure covering negotiated departures, due to the significant potential legal risks, particularly if the departure is requalified as a termination.

iv) Cyber security risk affecting SFL's building technical management systems

Objective

The audit objective was to obtain assurance that systems to protect SFL's buildings against cyber security risks are aligned with best practices.

Background

This is a new risk that has emerged with the installation of increasingly sophisticated building management systems. All of SFL's buildings are equipped with closed systems, and not the more vulnerable open systems. However, there was a perceived need to strengthen protections against cyber security risks affecting these systems, for which no specific procedure existed. Two audits were therefore performed in February 2019 by an external firm. These audits led to the issue, in July 2019, of a procedure drawn up mainly by SFL's Information Systems Department. KPMG was asked to audit the procedure.

Conclusion

Following this audit, SFL was asked to update the building management systems cyber security procedure prepared in 2019, to complete the unfinished sections. The audit nevertheless showed that there were no material weaknesses in the procedure. KPMG noted that the next stage would be to test its implementation.

v) Review of procedures covering the billing of capex to tenants

Objective

The audit objective was to check how capital expenditure on buildings occupied by tenants was billed to the tenants in application of France's Pinel Act.

Background

Recovering capital expenditure requires disciplined advance preparation and poses the major problem of how to accurately identify what expenditure can be recovered from tenants out of all the work performed. A previous audit of this issue carried out three years ago revealed certain areas for improvement of the capex billing procedure. It was therefore important to perform a follow-up audit.

Conclusion

Following its audit, KPMG issued two recommendations:

– Optimise the capex billing information system. KPMG recommended streamlining the criteria and sub-criteria recorded in the system in order to reduce the number of possible combinations. Work on optimising the system is currently in progress.
– Set up a control procedure to measure and formally track the billing of recoverable capex. This control procedure should provide a clear vision of legally recoverable capex compared to capex actually billed to tenants.

vi) Review of procedures for the launch and budget control of major redevelopment projects in SFL buildings

Objective

The audit objective was to examine the procedures and documentation concerning the launch and budget control of major redevelopment projects, in order to guard against the financial and other risks associated with possible project delays, quality problems and financial monitoring issues.

Background

Under the current procedure, a budget control file (FBI) is created in Excel and interfaced with the cost accounting system to enable costs to be monitored on a monthly basis. These documents enable actual costs to be compared on a day-to-day and monthly basis to the cost budgets prepared during meetings of the Project Review Committee.

KPMG's audit did not reveal any particular problems; however, the auditors noted that many fairly complex and time-consuming adjustments had to be recorded manually in the FBIs. In addition, the person responsible for preparing and updating the FBIs is also in charge of performing controls over the data, thereby reducing the control's effectiveness and generating areas of risk.

Conclusion

Following its audit, KPMG recommended that an automated budget control reporting system be set up, enabling the teams responsible for controls to perform appropriate checks.

8. SFL and its Shareholders

8.1. Information about the Company's capital

8.1.1. Changes in capital over the last five years (2015-2019)

Date	Description	Issues			New capital	
		Number of shares issued	Par value	Gross premium	Total number of shares	New capital
2015	None	–	–	–	46,528,974	€93,057,948
2016	None	–	–	–	46,528,974	€93,057,948
2017	None	–	–	–	46,528,974	€93,057,948
2018	None	–	–	–	46,528,974	€93,057,948
2019	None	–	–	–	46,528,974	€93,057,948

8.1.2. Ownership structure and voting rights at 31 December 2019

Main shareholders	Total shares	Total voting rights	% interest	% voting rights(1)
Inmobiliaria Colonial, SOCIMI, SA	***38,018,307***	***38,018,307***	***81.71%***	***82.19%***
Predica(2)	5,992,903	5,992,903	12.88%	12.94%
Other Crédit Agricole group subsidiaries (La Médicale/CA Life Greece/CAA/CACI/CALIE Lux/ PACIFICA/SPIRICA, etc.)	136,287	136,287	0.29%	0.29%
Sub-total CRÉDIT AGRICOLE GROUP	***6,129,190***	***6,129,190***	***13.17%***	***13.24%***
Sub-total, main shareholders	**44,147,497**	**44,147,497**	**94.88%**	**95.34%**
Free float	2,159,290	2,159,290	4.64%	4.66%
SFL treasury shares	222,187	–	0.48%	–
Total	**46,528,974**	**46,306,787**	**100%**	**100%**

(1) No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.
Based on these figures, SFL's outstanding share capital at 31 December 2019 was €93,057,948
(2) Life/health insurance subsidiaries of the Crédit Agricole group.

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.

8.1.3. Changes in ownership structure and voting rights

	2016(1)		2017(1)		2018(1)	
Main shareholders	% interest	% voting rights(2)	% interest	% voting rights(2)	% interest	% voting rights(2)
Inmobiliaria Colonial, SOCIMI, SA	***58.55%***	***59.01%***	***58.56%***	***58.94%***	***81.71%***	***82.19%***
DIC Holding LLC	8.56%	8.63%	8.56%	8.62%	–	–
Qatar Holding LLC	13.64%	13.74%	13.64%	13.73%	–	–
Sub-total DIC Holding and Qatar Holding (acting in concert)	***22.20%***	***22.37%***	***22.20%***	***22.35%***	***–***	***–***
Predica	12.88%	12.98%	12.88%	12.97%	12.88%	12.96%
Other subsidiaries	0.30%	0.31%	0.30%	0.30%	0.30%	0.30%
Sub-total Crédit Agricole group	***13.18%***	***13.29%***	***13.18%***	***13.29%***	***13.18%***	***13.26%***
Free float	5.29%	5.33%	5.40%	5.42%	4.52%	4.55%
Treasury shares	0.78%	–	0.66%	–	0.59%	–
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) At 31 December of each year.
(2) 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.

Disclosure thresholds

Changes in interests disclosed to the Company since 1 January 2020
None

Changes in interests disclosed to the Company in 2019
None

Changes in interests disclosed to the Company in 2018

218C1836 - In a letter received on 14 November 2018, DIC Holding LLC[1] and Qatar Holding LLC[2] (Ooredoo Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar), acting in concert, disclosed that their interest in SFL had been reduced on 12 November 2018 to below the disclosure thresholds of 20%, 15%, 10% and 5% of the capital and voting rights and that they no longer held any SFL shares.
The disclosure thresholds were crossed as a result of the sale of SFL shares to Inmobiliaria Colonial, SOCIMI, SA in exchange for newly issued Inmobiliaria Colonial, SOCIMI, SA shares on 12 November 2018.
In connection with the sale, (i) Qatar Holding LLC disclosed that it had reduced its interest to below the disclosure thresholds of 10% and 5% of SFL's capital and voting rights and (ii) DIC Holding LLC disclosed that it had reduced its interest to below the disclosure threshold of and 5% of SFL's capital and voting rights.

(1) Qatari limited liability company controlled by the Amiri Diwan of the State of Qatar.
(2) Qatari limited liability company controlled by the Qatar Investment Authority.

218C1827 - In a letter received on 13 November 2018, Inmobiliaria Colonial, SOCIMI, S.A., a Spanish joint-stock corporation (Paseo de la Castellana, no. 52, Madrid, Spain) disclosed that on 8 November 2018 it had increased its interest to above the disclosure threshold of two-thirds of the capital and voting rights and that it held, within the meaning of Articles L.233-7 and L.233-9 I, 4 of the French Commercial Code, 37,569,285 Société Foncière Lyonnaise shares representing the same number of voting rights (80.74% of the capital and voting rights[1]), as follows:

	Shares and voting rights	% interest and voting rights
Inmobiliaria Colonial, SOCIMI, S.A (direct interest)	27,238,858	58.54
Inmobiliaria Colonial, SOCIMI, S.A (integrated interest)	10,330,427	22.20
Total Inmobiliaria Colonial	**37,569,285**	**80.74**

The disclosure threshold was crossed as a result of the conditions precedent associated with the sale and contribution announced on 15 October 2018 by Inmobiliaria Colonial being met. The sale and contribution transactions were completed at the end of 2018.

(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.

Changes in interests disclosed to the Company in 2017
None

8.2. Share equivalents

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

8.3. Directors' interests

Directors at 31 December 2019	Number of SFL shares held by directors[1] at 31 December 2019
Juan José Brugera Clavero	20,275
Angels Arderiu Ibars	25
Ali Bin Jassim Al Thani	25
Chantal du Rivau	30
Jean-Jacques Duchamp	25
Carlos Fernandez-Lerga Garralda	50
Carmina Ganyet I Cirera	30
Carlos Krohmer	30
Arielle Malard de Rothschild	25
Luis Maluquer Trepat	400
Nuria Oferil Coll	25
Alexandra Rocca	150
Pere Viñolas Serra	5,325
Anthony Wyand	100
TOTAL	**26,515**

(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 registered shares.

8.4. Transactions carried out by top management and parties closely related to them during 2019

Disclosed by: Juan José Brugera Clavero, Chairman of the Board of Directors
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 3 April 2019
AMF notification received: 4 April 2019
Off-market transaction
Unit price: €0.00
Number of shares: 4,500

Disclosed by: Nicolas Reynaud, Chief Executive Officer
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 3 April 2019
AMF notification received: 4 April 2019
Off-market transaction
Unit price: €0.00
Number of shares: 15,000

Disclosed by: Dimitri Boulte, Managing Director
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 3 April 2019
AMF notification received: 4 April 2019
Off-market transaction
Unit price: €0.00
Number of shares: 12,000

Disclosed by: François Sebillotte, Chief Resources Officer
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 3 April 2019
AMF notification received: 4 April 2019
Off-market transaction
Unit price: €0.00
Number of shares: 3,750

Disclosed by: Dimitri Boulte, Managing Director
Type of instrument: shares
Type of transaction: sale
Transaction dates: 4, 5, 6, 14, 15, 19, 26 November 2019 and 16, 17,18, 19, 23, 30 December 2019
AMF notifications received: 5, 6, 7, 15, 18, 20, 27 November 2019 and 17, 18,19, 20, 24, 31 December 2019
Market: Euronext Paris
Unit price: €73.40
Number of shares: 3,000

8.5. Employee share ownership at 31 December 2019

At 31 December 2019, employees held 78,950 SFL shares directly and 5,838 SFL shares indirectly through the corporate mutual fund, together representing 0.170% of the capital.

The total includes the shares held by Dimitri Boulte, Managing Director, who has an employment contract with the Company.

Corporate mutual fund

The Actions SFL corporate mutual fund has a Supervisory Board set up in accordance with Article L.214-164 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 2019, on 29 March, to review the fund's annual management report.

8.6. Transactions in SFL shares carried out by the Company

8.6.1. Stock options granted to and exercised by the Chairman, the Chief Executive Officer and the Managing Director in 2019

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2019. The last stock option plan expired on 12 March 2015, at the end of the options' eight-year life.
(see Appendix 13.1, page 74).

8.6.2. Performance share plans

Pursuant to the authorisation granted by the Annual General Meeting of 20 April 2018, at its meeting held immediately after the General Meeting, the Board of Directors approved the recommendation of the Remuneration and Selection Committee dated 22 March 2018 and decided to adopt the rules of performance share plan no. 5.

In line with the terms of the shareholder authorisation, at its meeting of 15 February 2019, the Board of Directors drew up the list of performance share recipients for 2019 and decided to award 65,896 shares to certain employees and certain officers of SFL and its related entities within the meaning of Article L.225-197-2 of the French Commercial Code.

The Plan no. 5 rules are presented in Appendix 13.2 (page 75 *et seq.*).

8.6.3. Share buyback programme

The Annual General Meeting of 5 April 2019 (nineteenth 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 ensure the liquidity of the SFL share by entering into a liquidity contract with an investment firm in compliance with the practices allowed under French securities regulations;
- 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 on exercise of the rights attached to securities with deferred rights to shares, for shares of the Company and to cover the Company's obligations towards the holders of these securities;
- To cancel all or some of the shares bought back in accordance with the terms and conditions provided in Article L.225-209 of the French Commercial Code and subject to the authorisation to cancel shares acquired under the buyback programme given by the Annual General Meeting of 5 April 2019;
- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorised by the applicable regulations.

The maximum purchase price for these shares was set at €90 per share and the authorisation was given for a period of 18 months.

At 31 December 2019, the Company held 222,187 shares in treasury, representing 0.48% of the capital.

These shares were purchased for the following purposes:
1. For allocation to SFL Group employees: 111,182.
2. For purchase and sale transactions under a liquidity contract with an investment firm: 250.
3. 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: 87,472.
4. 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. For the purpose of being cancelled: 0.

The Board of Directors has decided to present a resolution at the Annual General Meeting of 3 April 2020, authorising the Company to implement a share buyback programme based on a maximum price of €100 per share (fourteenth 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 2019, the authorisation would concern the buyback of up to 4,652,897 shares. This ceiling will be adjusted in the event of any changes in issued capital in the period up to the date of the Annual General Meeting or any capital increases or reductions carried out after the Meeting.

The programme's main objectives will be the same as those set by the Annual General Meeting of 5 April 2019, and concerns the following:

- 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 ensure the liquidity of the SFL share by entering into a liquidity contract with an investment firm in compliance with the practices allowed under French securities regulations.
- 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 on exercise of the rights attached to securities with deferred rights to shares, for shares of the Company and to cover the Company's obligations towards the holders of these securities.

- 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 of 3 April 2020 authorising the Board of Directors to cancel shares acquired under the buyback programme.
- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorised by the applicable regulations.

If shares are bought back under a liquidity contract in accordance with the AMF's General Regulations, 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 authorisation would be given for a period of eighteen months.

8.6.4. Summary of disclosures: Disclosure of treasury share transactions for the period from 1 January 2019 to 31 December 2019

Percentage of capital held by the Company and/or its subsidiaries	0.48%
Number of shares cancelled in the last 24 months	0
Number of shares held	222,187
Carrying amount of the shares	€12,703,115.33
Market value of the shares (at 31 December 2019)	€16,397,400.60

	Cumulative transactions		Open positions on the publication date of programme details			
	Purchases	Sales/Transfers[1]	Open buy positions		Open sell positions	
			Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	27,685	33,470	–	–	–	–
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€66.86	€66.69	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€1,850,973.51	€2,232,179.14	–	–	–	–

Transaction costs under the liquidity contract amounted to €26,800 in 2019.

(1) Not including the 46,302 vested performance shares awarded under Plan no. 4 dated 26 April 2016.

8.7. 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 abovementioned sanction.

The disclosures received are presented in section 8.1.3 "Changes in ownership structure and voting rights", page 29.

8.8. Dividends paid in the last three years

8.8.1. 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 SFL 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 70% 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 2019 financial statements, the Board of Directors will recommend paying a dividend of €2.65 per share.

8.8.2. Dividend payments

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

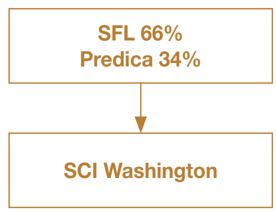
Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance for shareholders resident in France	Portion of the dividend classified as a return of capital	Total dividend(1)
2016	€1.05(2)	–	–	€1.05	€48,855,422.70
	€1.05	–	–	€1.05	€48,855,422.70
2017	€2.30	–	€2.30	–	€107,016,640.20
2018	€2.65	–	€2.65	–	€123,301,781.10

(1) Not including dividends not paid on shares held in treasury.
(2) Special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 15 November 2016.

9. Partnerships

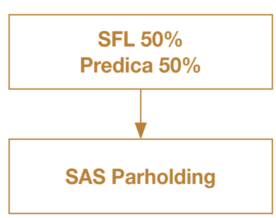
Partner	Joint venture	Main clauses
Predica[1]	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Predica, the other partner has the option of: – agreeing to the change of control[2]; or – acquiring all the shares and shareholders' advances of the other partner; or – 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: – 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.



10. Shareholders' pacts

There is no longer any shareholders' pact concerning SFL between the Company's principal shareholders or any shareholders' pact signed by SFL and concerning its interests in other companies.

11. 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)

Period		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2019	January	63.00	57.80	57,385	€3.462
	February	67.00	68.80	22,941	€1.483
	March	66.00	63.70	15,617	€1.021
	April	67.20	62.20	33,630	€2.194
	May	68.40	64.60	25,108	€1.682
	June	70.00	67.00	20,047	€1.383
	July	68.80	66.20	23,139	€1.557
	August	69.00	63.80	16,004	€1.610
	September	68.20	64.40	15,411	€1.027
	October	74.00	66.60	23,383	€1.610
	November	74.00	70.00	18,839	€1.352
	December	73.80	70.20	19,218	€1.385
2020	January	81.00	73.80	24,441	€1.902
	February	83.40	76.00	38,150	€3.058

12. 2019 Non-Financial Information Statement

Introduction

Since its founding 140 years ago, SFL has demonstrated its expertise as a property owner and developer to build, maintain and transform its assets.

In pursuing our prime property strategy, corporate social responsibility (CSR) ranks at the very top of our concerns.

Our policies are informed by the 15 CSR issues whose risks and opportunities have been deemed material to our stakeholders and critical to our profitability as a property company. Based on their materiality and how well they are managed, these issues have been organised into three components of the portfolio's intangible value: societal value, green value and human value.

As part of the momentum provided by the Non-Financial Information Statement, which SFL is not required to file but whose approach it embraces, programmes were continued in 2019 to further reduce our greenhouse gas emissions, improve building energy efficiency and strengthen the resilience of our tenant promise concerning climate and societal issues.

Highlights of the year included:

- As an engaged artisan of the Paris cityscape, SFL started work in 2019 on the top-to-bottom redevelopment of the Biome (114 avenue Émile Zola, Paris 15) and the 83 Marceau (96 avenue d'Iéna, Paris 16) buildings. Among other conditions, charters signed with the contractors ask them to make a special effort to hire unemployed people.
- During the year, a number of partnerships dedicated to recycling and reusing worksite materials were trialled, adjusted and deployed, marking a convergence between the real estate business and global societal issues.
- The automated environmental data reporting process, an area of convergence between the digital transition and the real estate business, was finalised and successfully used in 2019 to collect data on water and energy usage.
- Taking a longer term view of its business, SFL also formed a partnership during the year to significantly increase the use of low-carbon district cooling networks and power storage systems.
- Lastly, the latest quality of worklife survey conducted in 2019 among SFL employees also offered them an opportunity to submit ideas for action plans, particularly to improve inter-departmental communication and information sharing.

1. How SFL creates value

SFL's clear position in the prime Parisian office property market and its organisation by core competency provide solid foundations for its strategy to create tangible and intangible value.

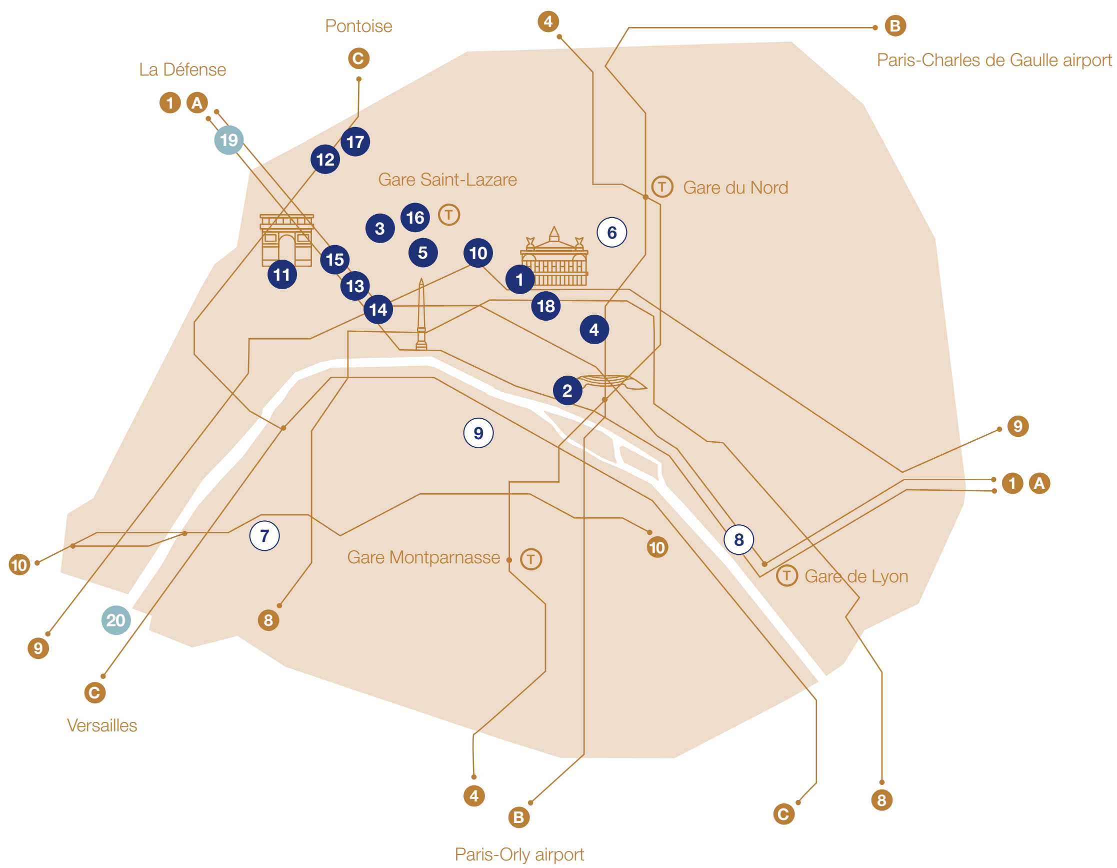
1.1. 20 prime assets in the capital's most vibrant neighbourhoods

SFL is a property company focused on prime office real estate. Its portfolio comprises 20 assets (78% offices, 21% retail units and a hotel, and 1% residential units by value), whose physical occupancy ratio stood at 97.4% at 31 December 2019.

Our tenants and their employees, totalling around 30,000 users on 20 sites, represent the highest concentration of human value-added in their industries.

All of the buildings are located a few minutes' walk from a train or public transport station, in the thriving business districts of Paris, Neuilly-sur-Seine and Issy-les-Moulineaux.

The robustness of these prime office assets stems from the steady ongoing commitment of major capital investments, as evidenced by the renovations and redevelopments currently under way or completed over the past ten years.



1 Édouard VII
2 Louvre Saint-Honoré
3 Washington Plaza
4 #cloud.paris
5 Cézanne Saint-Honoré
6 Condorcet
7 Biome
8 Rives de Seine
9 103 Grenelle
10 106 Haussmann
11 83 Marceau
12 131 Wagram
13 90 Champs-Élysées
14 Galerie Champs-Élysées
15 92 Champs-Élysées
16 9 Percier
17 112 Wagram
18 6 Hanovre
19 176 Charles de Gaulle
20 Le Vaisseau

THE SFL PORTFOLIO: 392,300 SQ.M.

	Paris	Total surface area[1]
1	Édouard VII	54,100 sq.m.
2	Louvre Saint-Honoré	47,700 sq.m.
3	Washington Plaza	47,000 sq.m.
4	#cloud.paris	35,000 sq.m.
5	Cézanne Saint-Honoré	29,000 sq.m.
6	Condorcet – Paris 9	24,900 sq.m.
7	Biome – Paris 15	24,500 sq.m.*
8	Rives de Seine – Paris 12	22,700 sq.m.
9	103 Grenelle – Paris 7	18,900 sq.m.
10	106 Haussmann	13,400 sq.m.
11	83 Marceau	9,600 sq.m.*
12	131 Wagram	9,200 sq.m.
13	90 Champs-Élysées	8,900 sq.m.
14	Galerie Champs-Élysées	8,700 sq.m.
15	92 Champs-Élysées	7,700 sq.m.
16	9 Percier	6,700 sq.m.
17	112 Wagram	6,000 sq.m.
18	6 Hanovre	4,600 sq.m.
	TOTAL	**378,600 sq.m.**

	Western Crescent	Total surface area[1]
19	176 Charles de Gaulle *Neuilly-sur-Seine*	7,400 sq.m.
20	Le Vaisseau *Issy-les-Moulineaux*	6,300 sq.m.
	TOTAL	**13,700 sq.m.**

● Paris Central Business District

○ Rest of Paris

● Western Crescent

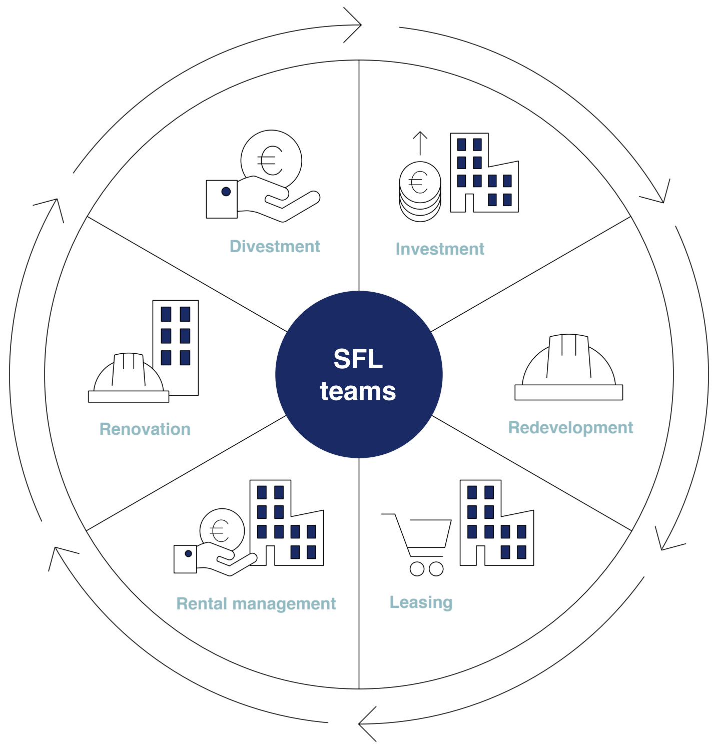
(1) Including infrastructure and excluding car parks.

* Planned surface area.

1.2. A clearly identified value chain

The value chain covering a property asset's life cycle comprises six links: investment, redevelopment, leasing, rental management, renovation and, where applicable, sale.

Mapping the value chain helped to identify our CSR issues and the stakeholders who could have an impact on them. Our organisation by core competency is a critical driver in a highly efficient value creation process.

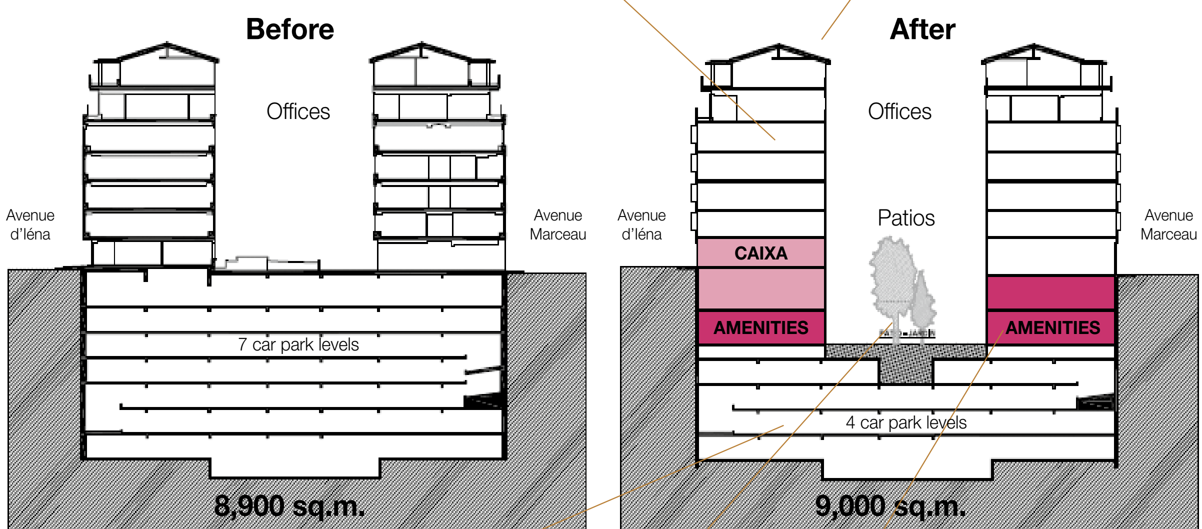


	Investment	Redevelopment	Leasing	Rental management	Renovation	Divestment
SFL teams	• Strategy, investments and transactions team	• Technical and development team	• Leasing and asset management teams	• Rental management and technical teams	• Technical and development teams	• Strategy, investments and transactions team
Leading stakeholders	• Shareholders • Financial community	• Local residents • Elected officials • Prime contractors • Construction contractors	• Tenants • Brokers	• Tenants • Building managers and multi-technical service providers	• Prime contractors • Construction contractors	• Shareholders • Financial community
Key figures	• 3 acquisitions of 7,000, 20,000 and 25,000 sq.m. since 2015	• 3 redevelopment projects under way in 2019 • 10 of the 20 buildings redeveloped since 2010 • Triple certification for each project	• 50,000 sq.m. leased in 2019 • 100% of new leases include an environmental appendix	• 94% of tenants satisfied • 46% reduction in $kgCO_2e$/sq.m. since 2011, like-for-like • 100% of the portfolio certified BREEAM In-Use	• 100,000 sq.m. of floor space renovated over the past five years • 25 works projects delivered in 2019 • 170 tCO_2e avoided by reusing the materials scrapped during renovations in 2019	• Last divestment was in October 2017

1.3. How SFL creates value: the example of 83 Marceau

Sustainable building operation:
– 20% below RT2012 energy efficiency standard
– Connection to district heating and cooling networks

Certifications:
– BREEAM Excellent
– LEED Gold
– HQE Rénovation Exceptionnel
– Ready 2 Services



Location and access
– Metro/RER station and bus stop less than a 5-minute walk away
– 65% fewer individual parking spaces
– 120 additional bicycle parking spaces

Urban footprint
– 2,000 sq.m. of public-access conference space and meeting rooms
– Rooftop utility areas transformed into accessible landscaped terraces

Amenities, layout and organisational efficiency
– Creation of a central atrium opening onto a patio with a landscaped garden
– 1,000 sq.m. of flexible, efficient office floors
– Meeting rooms representing 20% of total floor space

2. Definition of non-financial issues and their related risks and opportunities

Analysing the risks and opportunities posed by SFL's business model is a core component of the value creation process.

Because these risks and opportunities are closely bound to the CSR issues inherent in its business, the intangible societal, green and human values all make an important contribution to the overall value SFL creates.

This holistic approach is presented and described in the sections below.

2.1. 15 issues in three aspects of the portfolio's intangible value

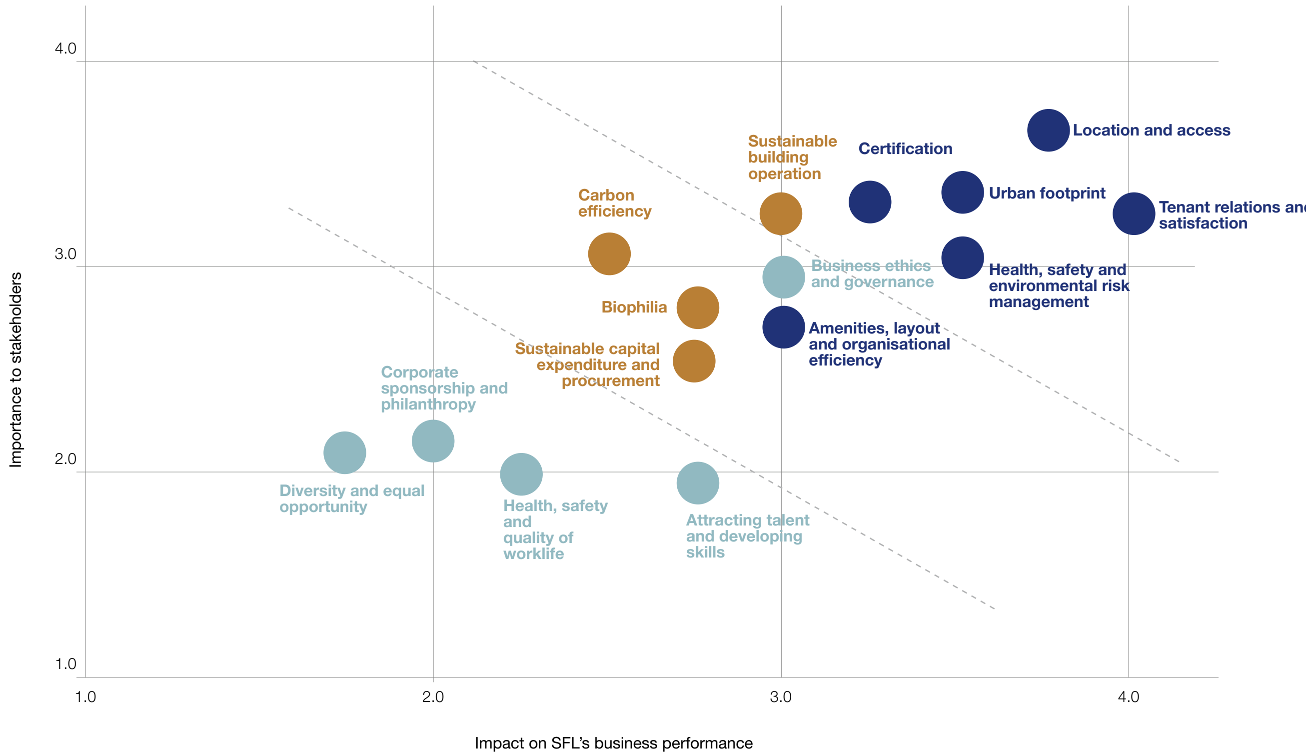
SFL has analysed the materiality of its CSR issues in accordance with international standards and industry best practices, as set out in the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative and recommended by the European Public Real Estate Association (EPRA).

Performed jointly with the Management Committee, the Chief Executive Officer and the working groups set up to examine specific issues, this analysis helped to shape our CSR policies, objectives and action plans. In 2017, these issues and their materiality were updated by the CSR Committee and reviewed in light of the new regulatory framework concerning non-financial information statements.

Based on the findings of the materiality analysis, the following map classifies the CSR issues into three levels of materiality, as follows:
1. Ranking top in materiality are the six "fundamental issues" embedded in the heart of our business;
2. Ranking midway in materiality are the five "major issues" that contribute to the Group's intangible value and resonate with emerging stakeholder expectations and new impacts on our business;
3. Ranked below the second materiality threshold are four "issues to watch", which have less of an impact on our short-term strategy, but which should be tracked as their materiality could change over time.

To organise this report in line with our continuous improvement strategy as a prime property company, CSR issues are presented according to three aspects:
– Societal value;
– Green value;
– Human value.

MATERIALITY MATRIX OF CSR ISSUES



The issues are divided into the three levels of materiality (on either side of the oblique lines on the chart), as described in bullet points 1., 2. and 3. on the previous page.

- Societal value
- Green value
- Human value

2.2. Main non-financial risks and opportunities

In line with the risk and opportunity approach recommended for non-financial information statements, SFL addresses the risks inherent in its business and optimises the related opportunities through the 15 CSR issues.

The table below summarises the main risks and opportunities associated with SFL's six fundamental issues.

MAIN RISKS AND OPPORTUNITIES ASSOCIATED WITH THE SIX FUNDAMENTAL ISSUES

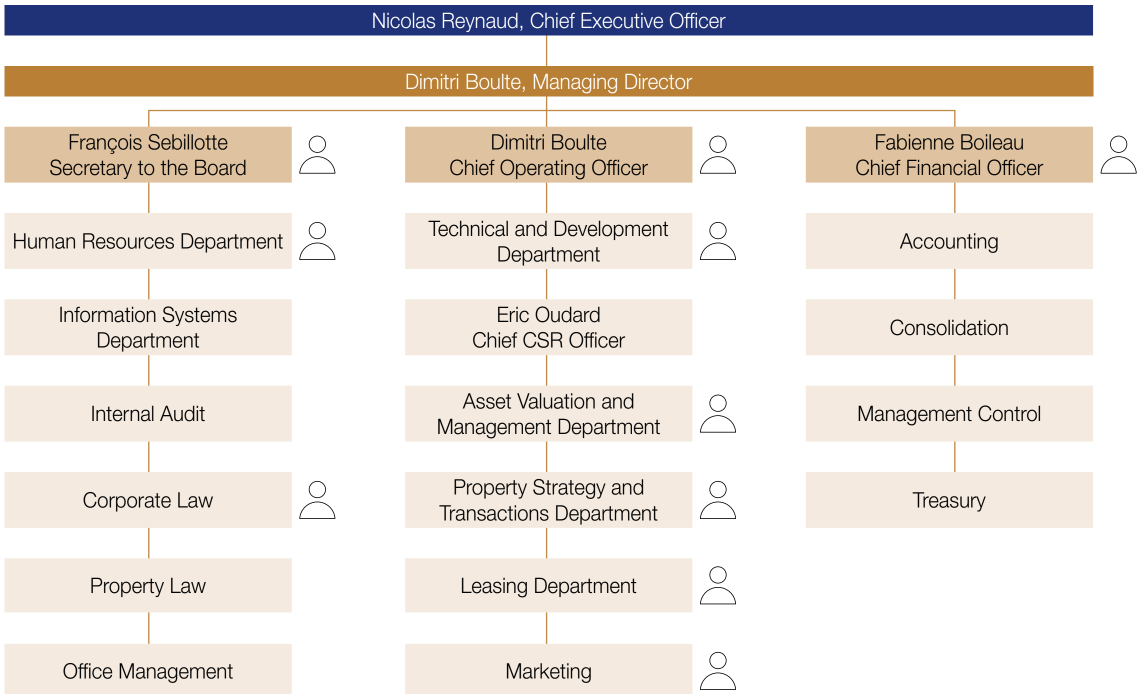
	Main risks	Main opportunities
Location and access	• Increase in vacancy rates in poorly located assets • Decline in tenant satisfaction	• Ability to attract and satisfy tenants • Opportunity to project an image of excellence
Tenant relations and satisfaction	• Decline in tenant satisfaction and misalignment with benchmarked practices of the market leaders • Image and reputational risk • Loss of rental value	• Innovative tenant relationships based on new collaborative practices • Opportunity to retain tenants • More efficient tenant negotiations
Urban footprint	• Delays in obtaining authorisations and building permits due to third-party appeals and claims • Image risk	• Easier relations with stakeholders • Innovation
Certification	• Impact on portfolio value • Lack of attention to emerging shareholder and investor demands and expectations	• Improvement in SFL's reputation and attractiveness • A means of controlling costs and managing risks (including future legislation) • Opportunity to share views and collaborate with tenants and building managers
Amenities, layout and organisational efficiency	• Spaces fail to meet tenant expectations	• Opportunity to increase occupancy rates, rental values and asset values • Productive quality of assets
Sustainable building operation	• Operational risks due to the increase in service charges	• Keeps service charges under control • Helps to increase the building's green value • Digitisation: using Facility Management BIM and smart metering

3. Ambitious vision, disciplined management

For each CSR issue, an ambitious vision has been defined, then expressed in objectives and tracking indicators that address the related risks and opportunities. Each indicator's scope of application and responsibilities have also been clearly identified (see the following section).

3.1. A CSR process embedded in the heart of every core competency

To define, execute and manage its strategy, SFL has organised its governance as follows:
– The **Board of Directors**, and particularly the representatives of our main shareholder Colonial, pay careful attention to the Group's CSR issues.
– The **CSR Committee**, comprising the Management Committee and representatives of the main departments concerned, meets twice a year and defines the main strategic guidelines for each CSR issue.
– These guidelines are then shared with the **operating teams.**
– The **Chief CSR Officer** (Éric Oudard), in charge of the Technical and Development Department, manages these issues in close collaboration with the Human Resources Director.
– Various **working groups** (asset management committees, CSR workshops) are integrating CSR aspects by developing operating procedures, issues of interest and outcomes and then discussing them with tenants, service providers, suppliers and other stakeholders directly on-site, particularly during tenant committee meetings.
– **SFL employees** and the **Social and Economic Committee** (CSE) participate in the process to address employee related aspects through issue-specific awareness-building sessions.



Departments represented in the CSR working groups

3.2. Clearly defined scopes of reporting

Employee relations indicators and their related objectives cover 100% of the workforce, which is based entirely in Paris.

Societal and environmental indicators and their related objectives may cover different scopes, depending on whether or not the assets are operationally managed by SFL, are in use, or are being redeveloped or extensively renovated.

In all cases, however, the scope of reporting has been defined in line with industry best practices, particularly the guidelines for implementing the EPRA Sustainability Best Practice Recommendations. In 2019, they were organised as follows for the leading indicators.

Assets have been classified into three categories, each with a different scope of reporting data on energy use, water use, greenhouse gas emissions and waste production:
- 15 multi-tenant or single-tenant assets for which SFL directly manages their energy use, water use and waste production;
- 3 single-tenant assets whose in-use operations are not directly managed by SFL;
- 2 assets being redeveloped and not in use in 2019.

Asset	Energy/Carbon	Water	Waste	BREEAM In-Use
Washington Plaza	•	•	•	•
Édouard VII	•	•	•	•
Cézanne Saint-Honoré	•	•	•	•
103 Grenelle	•	•	•	•
112 Wagram	•	•	•	•
#cloud.paris	•	•	•	•
Rives de Seine	•	•	•	•
Louvre Saint-Honoré	•	•	•	•
176 Charles de Gaulle	•	•	Waste directly collected by the City of Paris, with no data on amounts or treatment methods.	•
92 Champs-Élysées	•	•		•
Galerie des Champs-Élysées	•	•		•
90 Champs-Élysées	•	•		•
131 Wagram	•	•		•
9 Percier	•	•		•
6 Hanovre	•	•		•
106 Haussmann	Single-tenant buildings whose in-use energy, water and waste operations are not managed by SFL			•
Condorcet				•
Le Vaisseau				•
83 Marceau	Buildings being redeveloped			
Biome				

For energy data, including the types of energy tracked and the breakdown between common and tenant areas in each asset, additional details, based on the same methodology, may be found in appendix 7.1.1.

3.3. Main outcomes in 2019

SFL's ambitious vision, as expressed in its objectives and tracking indicators, has been recognised and honoured by a number of leading international organisations.

3.3.1. Objectives and tracking indicators

All of the CSR targets for 2020 are presented in the following table.

	2019 outcome	2020 target	Degree achieved
Societal value			
Tenant relations and satisfaction			
% of satisfied or very satisfied tenants	94%	>80%	☺
% of space under new green leases	100%	100%	☺
Location and access			
% of the portfolio located less than a ten-minute walk from a metro/tram station	100%	100%	☺
Disabled-accessible redevelopment projects	100%	100%	☺
% of portfolio surface area that is wheelchair-accessible	91%	100%	😐
Certification			
% of buildings certified BREEAM In-Use with a Very Good or higher level (excluding redevelopment projects)	100%	>90%	☺
Redevelopment projects aimed at earning triple certification	100%	100%	☺
Health, safety and environmental risk management			
% of SFL-managed assets operated with the MEX web-based operations management platform	93%	>80%	☺
Green value			
Sustainable building operation			
Energy use intensity in kWh/sq.m., 2011-2020, like-for-like	-22.6%	-20%	☺
Water use intensity in cu.m./sq.m., 2011-2020, like-for-like	-19.6%	-20%	☺
Carbon efficiency			
Number of fuel oil-fired boilers in the portfolio	0	0/20	☺
Carbon efficiency in kgCO_2e/sq.m., 2011-2020, like-for-like	-45.7%	-20%	☺
% of energy used from renewable sources	35.7%	30%	☺
Sustainable capital expenditure and procurement			
% of new redevelopments using BIM[(1)] software	100%	100%	☺
Set maximum energy use, carbon emissions and water use targets for new acquisition redevelopment projects, in line with corporate targets. 20% under RT2012 energy efficiency standards, Effinergie	100%	100%	☺
Biophilia			
% of green spaces on built-up land	9%	11%	☹
Human value			
Attracting talent and developing skills			
% of payroll spent on training	3.3%	>2.5%	☺
Health, safety and quality of worklife			
% of employees surveyed every two years to measure the quality of worklife	100%	100%	☺

(1) Building Image Modelling.

3.3.2. Recognised performance

SFL ensures that its reporting processes are aligned with the most demanding standards and methodologies. In addition, we transparently seek assessments of our CSR performance and regularly respond to surveys from GRESB and other ESG rating agencies.

• Building Research Establishment Environmental Assessment Method (BREEAM)

SFL's very early adoption of BREEAM New Construction/Refurbishment certification for redevelopment projects and BREEAM In-Use International certification for properties in-use, plus the unprecedented certification of every asset in the portfolio, have been recognised by the presentation of several BREEAM Awards:

– The Office Refurbishment & Fit-Out Award for Washington Plaza in 2015;
– The Corporate Investment in Responsible Real Estate Award in 2017 and nominations for the Award in 2018 and 2019.

• Global Real Estate Sustainability Benchmark (GRESB)

In 2019, GRESB awarded SFL Green Star designation for the eighth year in a row.

An overall score of 94/100 confirmed our position among the top performers, while a perfect 100/100 in three of the seven subcategories assessed by the GRESB (Management, Policy & Disclosure, and Building Certifications) demonstrated the validity of our CSR policy.

• European Public Real Estate Association (EPRA)

SFL also complies with the recommendations issued by EPRA for its CSR reporting. EPRA-format indicators are presented in the relevant sections and at the end of this report. Two Gold Awards in Sustainability and Finance Best Practices Recommendations were earned in 2019.

• Non-Financial Information Statement

Although it is not required to file a Non-Financial Information Statement, SFL has decided voluntarily to demonstrate its commitment to the process.

4. Societal value

Societal value is central to the strategy of increasing the value of our portfolio. To create value in our properties, we have to address the expectations of our stakeholders and the fact that our buildings are an integral part of the cityscape. This means that the location of our assets, their urban footprint, their easy accessibility and their alignment with both the expectations of local residents and the needs of their tenants are all fundamental to our value creation strategy.

Half of our assets have been redeveloped over the past ten years, attesting to our deep commitment to offering products that are increasingly in phase with an ever-changing society. In recent years, tenants have observed an improvement in their performance, thanks to the high utility value of their offices.

4.1. Tenant relations and satisfaction

Tenant relationships are always top-of-mind at SFL, and a central focus of its organisation. Knowing and understanding current and future needs is a major advantage as we manage our buildings in-use and design new redevelopments and renovations. The Paris WorkPlace surveys and the 2019 satisfaction survey of our office users are improving our understanding of tenant expectations and enabling us to align our offering more closely with expectations and to validate our shift to high value-added products.

The organisation of our teams and service providers is also helping to optimise our tenant intelligence. Tenants are surveyed every two years to assess their satisfaction and expectations.

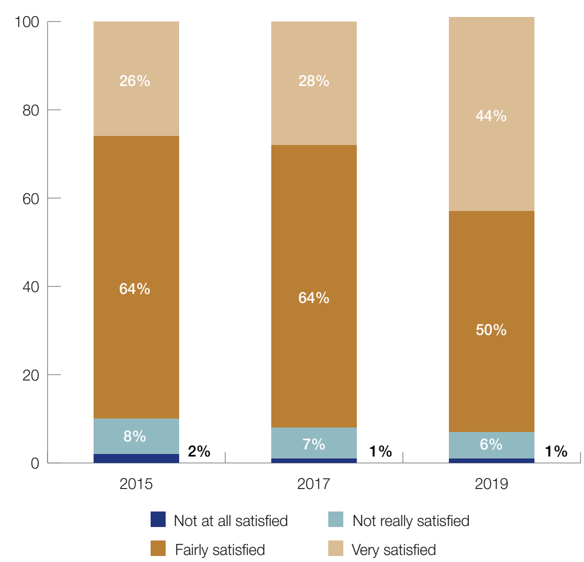
In addition, every year SFL conducts the Paris WorkPlace survey of 3,000 managers in the Île-de-France region, to find out more about their office experience and expectations (www.parisworkplace.fr). Designed to send a quality message to our peers and partners, the survey and its findings are increasingly cited in talking points in French media. This allows us to compare our own performance to a population that is broader but still highly representative of the people working in our buildings.

4.1.1. Tenant satisfaction, the cardinal direction of everything we do

In 2019, 750 people participated in the satisfaction survey. The typical employee working in an SFL building is a 30-something manager who lives in central Paris, has a 20- to 40-minute commute by public transport and gives his or her well-being at work a score of 7.6/10 (compared to 6.8/10 for the managers in the Île-de-France region surveyed in our Paris WorkPlace benchmark). He or she works in an open space office, considers on-site amenities to be fundamental and would opt for better waste management if he or she had to choose an environmental or social programme.

More than 94% of satisfaction survey respondents said that they were satisfied or very satisfied with their offices, amply exceeding the target of 80%.

TENANT SATISFACTION



4.1.2. Constant dialogue with tenants

Through a variety of initiatives, SFL's personalised tenant relationship management process encourages tenants to get actively involved, especially in CSR programmes. This can be seen in the following examples of ongoing initiatives.

	Examples of dialogue channels
Leasing	**Green leases:** Every new office lease signed since 2016 has included an environmental appendix, even for spaces of less than 2,000 sq.m.
	User guides: Every SFL building now has a user guide providing a wealth of information on its amenities, services and operations. Topics covered include building history, opening hours, accessibility (pedestrians, persons with reduced mobility, vehicles, public transport, etc.), safety and security, utilities (energy, water and waste management, etc.), and food services, among others.
Buildings in use	**Tenant committees:** Tenant committees are aligned with the size of the building and how it is used, with particular attention focused on business centres. In the case of "major users", meetings are organised at least once a year to discuss such issues as usage patterns, accessibility, capital improvements and environmental impacts (certifications, energy and water use, waste treatment, etc.)
	Tenant newsletters: SFL fosters a sense of community in a number of its buildings by publishing tenant and user newsletters, such as *Le journal* le 42 for the Washington Plaza building. These are distributed free to tenant employees to give them the latest news about the building and the neighbourhood, including cultural events, new restaurant openings and shopping opportunities. The media also keep users informed of the green initiatives being undertaken in the building.
	Events: Events are increasingly popular and widely attended by building users. Examples include tailored suit fittings, inter-company fitness and sports competitions, pétanque tournaments in the outdoor areas and green food tastings.
Renovation	**Special worksite media:** During major renovation projects, SFL publishes a variety of media carefully adapted to each situation. For the Louvre Saint-Honoré renovation, for example, employees using the building are being kept regularly informed of the works through a variety of purpose-designed resources, including a team of communication officers and dedicated communication systems and media. The most common impacts are addressed in a proactive commitment to minimising any inconvenience during the works phase.

4.2. Location and access

As our Paris WorkPlace surveys show year after year, employees feel that the primary criterion for their well-being is the location of their workplace and their commute time from home. This was followed by the quality of their office space and the building's architecture.

In fact, the location of the workplace is such a major factor that people feel that, when considering a job offer, it is just as important as salary. As a result, high value-added companies, for whom attracting and retaining talent is a performance-critical issue, have to offer employees workspaces in the capital's most desirable neighbourhoods, that are both easily accessible via the widest possible range of public transit options and equipped with a diversified array of high-quality amenities.

These surveys have also highlighted the impact of clustering. In the Opéra district, the #cloud.paris building remains a compelling example of a hub in the centre of Paris. This increasing preference for central office locations is also being spurred by the ability to get around on foot or using soft mobility options.

4.2.1. Prime locations, exceptionally well served by public transport and soft mobility services in the greater Paris region

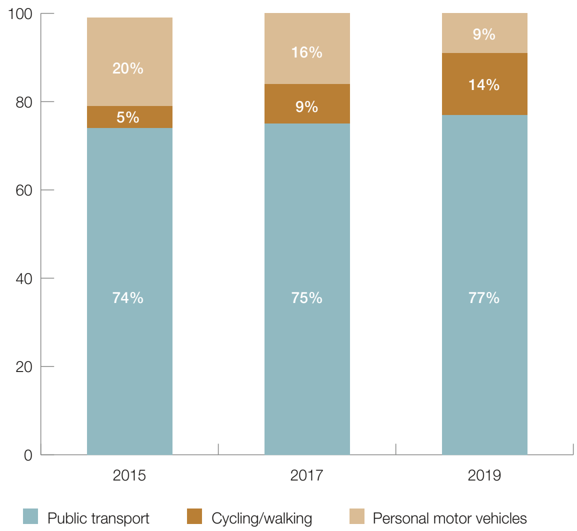
By steadily concentrating the portfolio in the most popular neighbourhoods, SFL's investment strategy has been historically aligned with this aspiration, frequently voiced by its tenant companies. 80% of our assets are located in the Central Business District, near the major Paris train stations (#cloud.paris and Rives de Seine, for example) and in the new mixed-use neighbourhoods such as the 9th *arrondissement* (Condorcet) or the 7th *arrondissement* (103 Grenelle), which offer real alternatives to the Central Business District.

The acquisition of properties like Biome, on avenue Émile Zola in south-western Pars, reflects a forward-looking strategy to offer solutions to demanding tenants interested in moving to more diverse, mixed-use neighbourhoods (shops, cultural venues, housing), while retaining easy access via metro, RER or bus.

In fact, all of our assets are easily accessible by public and alternative transport, and are less than an eight-minute walk from a metro station.

This outstanding proximity is directly reflected in the ways in which our office users commute to and from work. The latest satisfaction survey, for example, showed that 77% of employees commute to work by metro, tram, train or RER, and 9% by car, motorcycle or scooter, or take a taxi. However, over the past four years, we have seen a growing percentage of people cycling or walking (14% in 2019).

HOW SFL OFFICE USERS COMMUTE TO AND FROM WORK



4.2.2. Responding to new forms of urban mobility

The overriding importance of the employee commute among the criteria for a sustainable location is also reflected in the increasing use of low-impact transport.

In redeveloping its buildings, SFL adds dedicated spaces for electric vehicles.

In the #cloud.paris building, there are more parking spaces reserved for bicycles and motorbikes than for cars.

The Biome and 83 Marceau redevelopment projects are also meeting these emerging mobility needs by reducing the number of parking spaces for cars (by 60% at Biome and 65% at 83 Marceau) and by responding to tenant requests for more soft mobility-friendly spaces (with 120 bicycle slots at 83 Marceau and 284 at Biome).

4.2.3. Guaranteeing accessibility for everyone

The latest satisfaction survey shows that, thanks to our strategic focus on asset location, our tenants and users have an average commute of 20 to 40 minutes, which is shorter than the average in Île-de-France as a whole. More importantly, according to the Paris WorkPlace survey, it is shorter than the maximum time that could have a negative impact on employee motivation. It is for this reason that 87% of respondents felt that location is the main advantage of SFL properties.

Across the entire portfolio, 91% of the space in use is wheelchair-accessible and every redevelopment is designed in compliance with the latest accessibility standards.

4.3. Urban footprint

SFL actively engages with the local authorities and stakeholders associated with construction projects, and has a keen interest in getting local residents and public officials involved in the design and execution of its urban projects, so as to build buy-in and ease the project's successful integration into the neighbourhood.

SFL consistently builds its major project development strategy on four pillars: environmental impact, mixed use, integration into the cityscape and architectural quality.

4.3.1. An engaged citizen of the city

SFL pays particular attention to the usability of its assets. For SFL, usability means, first of all, setting extremely high standards for the architectural quality of its projects and assets. But it also means paying particular attention to how its projects fit into the cityscape, so as to understand their potential impacts on the city and its neighbourhoods.

Conscious of the importance of these urban planning and architectural issues, particularly in a city like Paris, SFL regularly works in close collaboration with renowned, highly engaged architects and designers to craft an ambitious, high-quality architectural vision for each project.

This commitment may be illustrated by the three major SFL projects currently under way in Paris:
– The redevelopment of 17,000 sq.m. in the lower floors of our iconic **Louvre Saint-Honoré** building, commissioned from Ateliers Jean Nouvel in association with architectural firm Braun et Associés. The space will be leased primarily to the Fondation Cartier pour l'art contemporain.
– The top-to-bottom refurbishing of our **83 Marceau** building (Paris 16), designed by the Dominique Perrault et Associés agency in collaboration with Ana Moussinet for the interior design of the amenity spaces.
– The comprehensive redevelopment and construction of a new **Biome** building on avenue Émile Zola (Paris 15), offering a wide range of programmes and uses, commissioned from the young French architect Yrieix Martineau and design firm Jouin Manku et Associés.

With 140 years of service to local communities and cities, especially Paris, SFL is committed to aligning its project development and construction strategy with urban renovation, by making a concerted effort to (i) consolidate space and integrate green, landscaped areas into its building lots and projects (nearly 3,100 sq.m. of green spaces and outdoor terraces at Biome); (ii) reuse materials from its projects and reduce their carbon footprint (Biome will be one of the very first low-carbon redevelopments within Paris city limits); and (iii) continuously challenge usage patterns and transform them, in particular, by engaging in additional and more diversified use of facilities (700 sq.m. of housing and 400 sq.m. of co-working space have been created in Biome and 7,000 sq.m. of space in the new Louvre Saint-Honoré will be dedicated to the Cartier Foundation).

In addition, SFL is promoting new uses for the underground floors in its buildings, made possible by:
– The emergence of new mobility systems and the correlative decrease in the need for parking spaces.
– The ability to consolidate and improve space usage in an already dense urban environment.
– The ability to bring natural light into previously artificially lit areas.

Similarly, each project includes plans to recover and repurpose the roof, by landscaping areas, relocating rooftop utility installations and introducing terraces accessible to tenants and the public. This approach is being extensively applied at 83 Marceau, which will offer an outstanding terrace overlooking Place de l'Étoile, and at Biome, whose existing rooftop utility areas will be transformed into accessible landscaped terraces.

SFL systematically works with official French government heritage preservation architects (ABFs) with the aim of redeveloping older buildings to the highest possible standards while preserving their architectural value. Prior to any redevelopment project, in-depth historical reviews are systematically performed to ensure that the buildings blend seamlessly into the high-quality urban fabric of Paris and our other host cities.

In this regard, SFL is a member of France's Architects & Owners Association (AMO), which promotes constructive relations between architects and building owners.

Lastly, as a member of the French property industry federation (FSIF), SFL participates in the meetings for France's Sustainable Building Plan. Each project's environmental footprint (energy use, amenities, natural light, vegetation, access) is assessed during the engineering studies phase. Moreover, interaction in the upstream also helps to more effectively define and attenuate the project's impact on the urban environment.

SFL measures the percentage of landscaped spaces, open spaces and open ground at its sites. Thanks to our projects, this space will double at Biome and increase by 52% at 83 Marceau.

Density is also analysed. When the Biome project is completed, for example, density will be around four on a plot covering more than 6,300 sq.m., making it low-density compared to the actual occupant density in Paris or certain recent urban development zones.

4.3.2. Our Paris projects

SFL supports a stakeholder dialogue and project governance system involving elected officials and local authorities during the project design phase and neighbouring communities during the works phase.

For each project, we perform a detailed audit and engage in discussions with all stakeholders. SFL projects are also designed to (i) encourage neighbouring residents to use the building in new ways (co-working spaces open to residents of the 15th *arrondissement* at Biome) and (ii) create local jobs (construction work, hiring the underprivileged, charter signed with contractors in favour of hiring locally).

Dialogue and engagement lie at the heart of our strategy. To demonstrate this process, SFL wanted to get local residents involved far upstream in the Biome (Paris 15) redevelopment project, even before obtaining the administrative permits. In 2019, in conjunction with local council members, the City of Paris and community associations, SFL took the initiative of organising a dozen neighbourhood meetings during which our architects and development teams presented the project and the changes made in response to the clearly expressed expectations of residents.

Dedicated information and communication media, such as a website and an on-site project information office, have been deployed to enable residents to follow project updates and works progress. The local community, represented by their council members, is being systematically involved in the project. This engagement process has driven a number of project revisions, for example, to create 700 sq.m. of housing space, a co-working area open to the neighbourhood, a business centre featuring an amphitheatre and meeting rooms for the convenience of local power users, and a landscaped botanical garden in the centre of the complex. The environmental aspects have been upgraded to make the redevelopment one of the first BBCA-certified low-carbon projects in Paris.

In 2019, SFL also continued these types of customised projects across the portfolio, to enhance and repurpose spaces so that the buildings are "more open" to the neighbourhood. 83 Marceau, for example, will feature nearly 1,500 sq.m. of brand new conference space and meeting rooms that will be open to the public.

The creation of public-access spaces and additional tenant amenities in new projects attests to our commitment to opening up to the city. By project, these spaces total:
– 3,000 sq.m. at Biome
– 1,500 sq.m. at 83 Marceau
– 800 sq.m. at Louvre Saint-Honoré

4.4. Amenities, layout and organisational efficiency

SFL strives to offer superior quality space and amenities, in line with tenant expectations.

4.4.1. High operating efficiency and maximum flexibility

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 Outcomes Definition Committee).

SFL designs modular, free-flowing and adaptable office spaces and common areas, with stunning natural light, magnificently restored grand staircases, an attention to biophilia and tenant services, easy access to public transport, and highly flexible floor plates that can be fitted out to tenant specifications. The resulting tenant layouts, which may be partitioned or open plan, ensure that users enjoy a very high quality working environment.

Premises and spaces

Our 2019 Paris WorkPlace survey of a representative sample of office users in the greater Paris region found that the ability to move around and outside the workplace produced a series of benefits, such as:
- well-being at work;
- collaborative working;
- openness to others;
- better employee relations;
- improved corporate performance.

Office floor plates are delivered open plan to tenants, who are free to arrange them as they like.

Most of our buildings offer modern, contiguous 1,000 to 3,000 sq.m. floor plates that are highly conducive to organisational efficiency. Ideal depths range from 13 to 18 metres with double exposure, so as to maximise the amount of fixed office space receiving direct sunlight.

Utility installations are sized so that meeting rooms can be positioned anywhere on the floor plate, including in areas exposed to direct sunlight. Their aggregate average surface area generally amounts to 10% of the total floor plate, although the 83 Marceau and Biome redevelopments have expanded meeting space to 20% of the total.

HVAC and lighting installations are generally sized to offer an occupancy ratio of 12 sq.m. of gross leasing area (GLA) per person. The large majority of SFL buildings have raised access floors and a clear ceiling height of 2.70 metres.

4.4.2. Occupant well-being and new uses

The Paris WorkPlace survey of French Tech companies found that (i) 82% of their employees felt that an office is a total living and working environment (versus 43% of the general population); (ii) 66% of them appreciated being able to rest at work (versus 41%); and (iii) 50% liked being able to relax (versus 30%).

In a predominantly services-based society, people spend most of their time sitting down and use their brains more than their muscles. To create a better balance, SFL buildings feature fitness rooms and break areas, with quiet spaces and landscaped gardens, etc.

In addition, the Paris WorkPlace “Want to talk about it?” survey conducted in 2019 yielded three major lessons:
- To feel good at work, you have to see people in person.
- Too much interaction leads to no interaction at all.
- The quality of workplace relationships is the most decisive factor in fostering well-being and performance.

The current Biome redevelopment represents a culmination of SFL’s expertise and a remarkable blend of tenant expectations. It has been designed to provide a number of spaces where tenants will be able to:
- Meet and talk to each other in quiet, beautifully well-kept spaces, such as modular, private, light-filled office floors capable of accommodating large meeting rooms, co-working areas, a public-access business centre with an auditorium and meeting rooms, common areas (lobby, cafeteria, company restaurant) envisioned by leading designers, a vast garden and a large number of accessible landscaped terraces.
- Maintain their health and well-being in a fitness centre, company restaurant and garden.
- Rest, recuperate and reconnect with nature (see section 5.4 Biophilia for more details).

Repurposing underground levels

Scheduled expenditure on buildings in-use includes solutions developed by SFL_le_studio to enhance the value of underground levels. These include the creation of:
- collaborative workspaces: meeting rooms, co-working spaces and a business centre, for use by people based in the building or outside;
- food service areas, with diversified, innovative concepts;
- user amenities such as fitness centres, concierge services, treatment and relaxation rooms.

Two examples of these amenity expansion programmes added a fitness centre and a tea room in 103 Grenelle and the following features at the Washington Plaza:
- a welcome manager offering concierge and events management services;
- a fitness centre with cardio/workout machines and classes (boxing, abs, dance, step aerobics, yoga, stretch, pilates, sophrology, etc.);
- a wellness area (massages, osteopathy, relaxation, beautician, etc.);
- meeting rooms bookable by tenants;
- a café-lounge open to all tenants, recreating a village square atmosphere inside the building.

All these amenities have proven very popular and illustrate what SFL is doing to address the issues discussed in the Paris WorkPlace surveys.

Certain uses that require natural light can be supported by installing glass roofs, light wells or patios. This is consistent with the Paris City Authorities’ new PLU urban planning scheme applicable since September 2016, which encourages excavation of underground levels.

The Marceau redevelopment programme amply incorporates these features by bringing natural light to three former car park levels and utility rooms. In this way, future occupants will enjoy not only a vast 180-seat auditorium, but also sunlit spaces, meeting rooms and a café-lounge conducive to informal meetings and collaborative working.

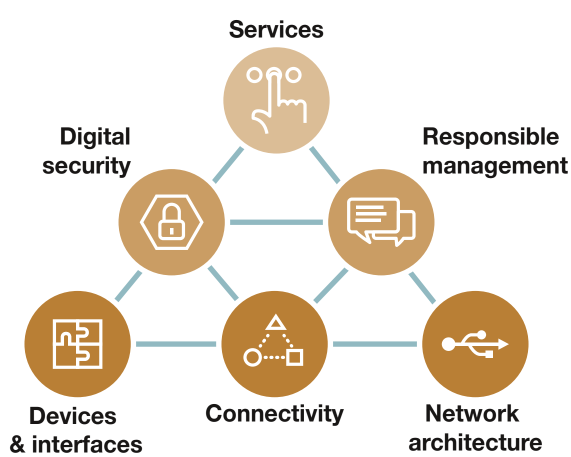
Support services

When a building is large enough, SFL supplements these fitness and wellness facilities with a range of support services that make daily worklife easier for employees.

The concierge office, for example, is increasingly involved in organising events and managing amenities, so that it serves as the central, go-to service provider for all of the building users. This type of support was introduced at Washington Plaza and 103 Grenelle in 2018 and will be expanded to other properties in the future.

All redeveloped properties offer exceptional connectivity. Wireless networks are available throughout the building, even in the least accessible areas, with maximum exposure to electromagnetic fields significantly below the limit set in European Directive 2013-35 dated 26 June 2013.

In this regard, 83 Marceau will earn Ready To Services (R2S) certification so that it can:
– offer tenants broadband internet connections to improve employee productivity;
– protect building networks and systems from cyber attacks;
– support the scalability of installed solutions, thereby increasing their useful lives;
– facilitate the seamless integration of the buildings into the smart city, so that they benefit from innovations and can help to pool equipment and resources.



4.5. Health, safety and environmental risk management

SFL has long applied a safety and environmental charter that defines corporate policies for managing environmental and health risks.

This process is organized around the following steps:
– inventory of all the utility installations;
– identify the risks and issues to address;
– define measurable targets;
– prepare a methodology to track and meet these targets;
– record the results.

Every day, 30,000 employees come to work in our assets in use. With this in mind, highly disciplined environmental and health risk management policies have been deployed to drive continuous improvement in the quality of our assets by attenuating the risks to the health and safety of our occupants.

The introduction of health and safety risk management guidelines is expected to drive a steady improvement in outcomes. To track them, a technical review is conducted every year for each asset and the actions undertaken or planned.

4.5.1. A commitment to exceeding regulatory standards

A wide range of initiatives are under way to make our buildings healthier and mitigate the risks of pollution, in particular by:
– eliminating asbestos-containing materials and products whenever possible;
– testing for lead exposure before works begin;
– replacing fuel oil-fired boilers, the source of major sulphur dioxide and nitrogen oxide emissions;
– studying the replacement of open cooling towers as soon as possible to prevent the risk of legionnaires' disease;
– analysing hot water samples every six months for legionnaires' disease.

In recent years, the remaining fuel oil-fired boilers, PCB transformers and equipment containing HCFC-type refrigerants have been completely eliminated from SFL buildings.

As part of its culture of excellence in managing risks, SFL has chosen to form an effective partnership with a single audit bureau, which performs the full range of regulatory audits and reviews for all of the SFL-managed assets.

Since the regulatory compliance framework agreement was set up, there has been a sharp reduction in the number of observations issued by the audit bureau.

4.5.2. Managing risks with a dedicated platform

In recent years, systems have been deployed to track and manage the operations of every SFL-managed property, with a focus on securing compliance with regulatory obligations and developing accurate indicators.

To continuously track the proper implementation of risk management procedures, an online platform, known as MEX, has been set up to enable the buildings to report all of the Audit Bureau's observations by issue and degree of criticality, along with any remedial actions taken.

As of 31 December 2019, 15 of the 18 assets in use and 14 of the 15 operationally managed assets were tracked via the platform.

TRACKING HEALTH AND SAFETY RISKS
EPRA code: H&S-Asset

	2017	2018	2019
Percentage of operationally managed assets whose health and safety risks are tracked on a dedicated platform	80%	93%	93%

No provisions for environmental or climate change risks were recorded during the year.

4.6. Certification

SFL's tenant portfolio includes world-class companies who insist that their head offices demonstrate superior environmental performance and social responsibility.

An effective way to guarantee this performance to our tenants, investors and other stakeholders is to have it validated by environmental certifications from external third parties.

In response to this major challenge, we have ambitiously sought very high level environmental certification for all our assets and for each refurbishment and development project.

4.6.1. Every asset certified BREEAM In-Use with a Very Good or higher level

In 2012, SFL became the first European property company to earn BREEAM In-Use certification for all its assets in-use, i.e., for 18 assets representing nearly 350,000 sq.m. of leasing area.

The BREEAM In-Use certification process comprises three parts that help to holistically assess an asset's total environmental performance in use:
– Part 1 – Asset: the inherent performance characteristics of the building: 18 assets certified.
– Part 2 – Building Management: the Management policies, procedures and practices related to the operation of the building: 14 assets certified.
– Part 3 – Occupier Management: the tenant's understanding and implementation of management policies, procedures and practices: 1 occupant certified.

Our objective is for each successive audit to result in a rating upgrade. All of the certifications (Part 1, 2 and/or 3) have been rated Very Good or higher since 2016.

4.6.2. Earning triple certification and/or labelling for redevelopments

Certifications are chosen to meet specific building characteristics as closely as possible. In this way, they support the building's market positioning, while challenging its management teams and demonstrating its most innovative features.

SFL's major redevelopment projects on empty buildings (Biome and 83 Marceau as of end-2019) have all earned triple certification and/or labelling.

One prime example is Biome, which will be certified BiodiverCity® Excellent, highlighting its extensive landscaping and greenery. It will also be one of the very first buildings in France to earn the BBCA Rénovation low-carbon building label, so as to express the ambitious vision that guided the SFL greenhouse gas emissions experts in working on the project.

The three redevelopment projects are now seeking the following certifications:

	BREEAM Refurbishment	LEED V4 Core and Shell	HQE Rénovation	Other labels
83 Marceau	√ Excellent	√ Gold	√ Exceptional	• BBC-Effinergie Rénovation • Ready 2 Services
Biome	√ Excellent	√ Gold	√ Exceptional	• BBC-Effinergie Rénovation • BBCA Rénovation • Biodivercity Excellent
Louvre Saint-Honoré	√ Excellent	Not applicable because the property is partly occupied		

Number of assets in use and percentage of portfolio (in sq.m.) certified by type and level of certification(1)

EPRA code: CERT-TOT

			2018		2019	
			Number of assets	% of sq.m.	Number of assets	% of sq.m.
Buildings in use	BREEAM In-Use	**Total**	**18**	**100%**	**18**	**100%**
		Good	0	0%	0	0%
		≥ Very Good	18	100%	18	100%
		≥ Excellent	7	55%	7	55%
Properties being redeveloped	**At least one certification**		**5**	**22%**	**5**	**22%**
	BREEAM New Construction		2	12%	2	12%
	LEED		1	10%	1	10%
	HQE		4	19%	4	19%
Coverage rate	*Number of assets*		*18/18*		*18/18*	
	Coverage rate (in sq.m.)		*100%*		*100%*	

(1) In the case of buildings for which the recertification audit was still in progress at year-end, the published rating was the one awarded after the last audit.

5. Green value

By carefully managing building energy and water use, deploying initiatives to combat climate change and addressing biodiversity and CSR issues in its capital projects, SFL ensures that its buildings will be operated and occupied sustainably, helping to drive the creation of value across the entire portfolio.

This "green value" is an important argument in our discussions with stakeholders, especially the young talents employed by our tenants. It is assessed based on the buildings' occupation density, the quality of building amenities and the value-added for occupants.

To maximise green value, SFL has set ambitious targets for reducing energy and water use and greenhouse gas emissions by 2020 compared to the 2011 baseline.

After nine years, the outcomes have amply justified this ambition, with energy use intensity reduced by 23% and carbon intensity by 46% like-for-like.

5.1. Sustainable capital expenditure and procurement

As a leading property company with a long-term vision, SFL uses its sustainable capital expenditure strategy to improve the quality of its assets and to ensure their sustainability. Sustainability extends the properties' useful lives and guarantees their alignment not only with tenant needs but also with the urban fabric, as well as with their long-term outlook in terms of accessibility, the judicious use of resources and adaptability in the face of climate change.

5.1.1. CSR embedded in every phase of a building's life cycle

The starting point for our sustainable capital expenditure strategy consists of investing in properties with excellent fundamentals that can be easily adapted to the needs of different types of users and different working practices, which are likely to change over time and will inevitably have an impact on occupation density. Each time, we work with a new team of prime contractors, design engineers and designers to invent buildings that will stand the test of time and, in particular, resist the physical impacts of climate change.

We are committed to managing the CSR performance of operating expenditure and renovation, refurbishment and redevelopment expenditure by assessing the CSR aspects of each outlay. This process builds upon the sustainable procurement policy applied in every aspect of our business.

Acquisitions

Potential acquisitions are analysed according to a variety of closely related criteria, which are all designed to ensure the investment's sustainability by determining the building's ability to deliver, over the long term, the increasingly demanding performance that tenants expect from their offices.

Based on a wide range of internal and external surveys of tenant aspirations, the main criteria are: (i) location (close to public transport, recognised address, visibility), which remains the primary criterion for companies; (ii) the ability to offer a superior real estate product (high ceilings, large horizontal floor plates, windows and other openings, capacity ratio, etc.); (iii) the ability to offer the latest amenities; and (iv) the ability to obtain outstanding environmental certifications, both for the building and its operation.

Redevelopment projects

A technical and innovation watch is organised by SFL_le_lab and SFL_le_studio in order to embrace the most innovative practices as early as possible. In recent years, discussions and reviews have also focused on the repurposing of rooftop space, solutions to enhance the value of underground levels and the creation of prototype models using 3-D BIM software.

5.1.2. Getting service and goods suppliers involved in a continuous improvement process

We pay particular attention to applying sustainable and responsible procurement processes and to maintaining sustainable and responsible relations with service and goods suppliers.

Our strategy in this area is led by the Environment and Sustainable Procurement Manager. It includes measuring the total cost of purchases and aims to manage environmental impacts throughout the value chain.

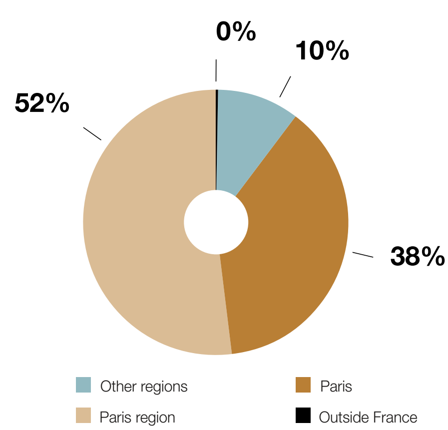
Key aspects of the strategy include:
– Integrating CSR criteria into the supplier selection process;
– Updating operator and contractor specifications to include CSR performance indicators;
– Fostering best-in-class supplier relationships;
– Analysing opportunities for improvement;
– Tracking overall CSR performance;
– Monitoring technical and environmental developments.

Delivering best-in-class selection and tracking performance across the value chain

Strict rules apply to the selection and approval of suppliers. To avoid inappropriate use of sub-contractors, the sub-contracting pyramid is limited to a maximum of two levels.

Special attention is also paid to suppliers' country of origin, with priority given to local companies and contractors. For example, in 2019, 90% of our suppliers were based in the Paris region.

SUPPLIER LOCATION – 2019



Suppliers play an extensive role in our processes to drive continuous improvement and performance.

Multi-technical maintenance providers, for example, have fully embraced 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 water use,
– using eco-friendly cleaning products,
– reducing packaging and waste,
– enhancing the occupant experience,
– Increasing the scores for BREEAM In-Use certifications.

In particular, these recommendations can be incorporated into energy performance contracts like the one for #cloud.paris, whose multi-technical service contract includes energy efficiency improvement targets in terms of MWh and euros.

For new projects, clauses to encourage local hiring have also been inserted in the contracts signed with site contractors, whereby they undertake to make a special effort to hire unemployed people, corresponding to 5% of the total budgeted working hours.

For redevelopment projects, enhanced communication channels have been deployed to ensure that the work is carried out safely and smoothly. Health and safety procedures include:
– environmental training and information;
– the use of badges to identify employees;
– risk prevention measures;
– on-site presence of first-aiders and first-aid equipment;
– an incident archiving system.

Contractors are also issued dedicated handbooks containing:
– information on staggered breaks;
– 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.

These documents are translated into the second most commonly used language on the site in order to ensure a high level of understanding. In the same way, on-site information notices and signage are also translated into several languages.

5.2. Sustainable building operation

Sustainably operating our assets requires using resources more rationally and working more closely with building management partners and tenants on environmental issues.

Residential and commercial buildings are by far the largest energy users in France, accounting for 44% of the total energy consumed[(1)]. As a result, improving energy efficiency is certainly our biggest challenge. Its importance was further confirmed by the July 2019 decree mandating actions to improve the energy performance of commercial buildings, which stipulates that energy use must be reduced by 40% by 2030 and by 60% by 2050. Meeting these objectives will require targeted capital expenditure[(2)] and continuous improvement in building management systems.

Another parameter concerns the evolving ways our buildings are used, in as much as occupation intensity is rising across the portfolio. Recent renovations and redevelopments show that tenant energy and other needs are trending upwards, which could drive an increase in floor plate density and the introduction of new amenities, such as new meeting rooms, food courts, fitness rooms, break areas and other user services. These new property management practices may increase a building's energy use, water use and waste production in absolute terms after the renovation project, but lower them as occupation density rises. This makes the commitment to optimising our sustainable building management practices even more critical.

5.2.1. Energy efficiency

To improve the energy efficiency of its assets, SFL can activate a number of levers, such as gaining a more granular understanding of each building's energy profile and specific features, deploying targeted initiatives and capital projects, and working more closely with building operators, office managers and tenants.

(1) 2015 figures from ADEME.
(2) See the previous section, "Sustainable capital expenditure and procurement".

EXAMPLES OF LEVERS FOR IMPROVING EFFICIENCY

Metering	Improvement initiatives
• Analysing energy consumption by use, based on sub-metering data • Automating metering systems • Measuring overall energy performance, including energy use in tenant areas, across most of the portfolio	• Replacing equipment and installations • Revamping building management systems (BMS), • Optimising air handling unit flow rates • Managing lighting

Working with contractors and tenants

- Requirement that partner building managers recommend ways to reduce energy use
- Energy performance contracts, particularly the #cloud.paris building
- During European Sustainable Development Week, SFL organised a participatory event on utilities management and the environment at 103 Grenelle, in partnership with the building's multi-technical maintenance providers. It offered an opportunity to talk with users about environmental impacts (energy use, waste, etc.), building amenities and health issues, both in their personal lives and in the workplace. The event also emphasised the need for greater awareness, with sessions dedicated to practical advice and eco-friendly practices.

Final energy use by the properties owned and managed by SFL in 2019 represented some 70 GWh, of which 50 GWh (72%) concerned common areas and heating and air conditioning delivered to tenant areas.

SFL is committed to increasing the proportion of low-carbon sources in the energy mix[1]. Electricity accounts for nearly two-thirds of final energy, while fossil fuel use is marginal, with the only such fuel, natural gas, representing less than 0.7% of the total.

Energy use by type of energy in MWh of final energy, absolute and like-for-like, and energy intensity in kWh/sq.m. (not climate adjusted)

EPRA code: Elec-Abs, DH&C-Abs, Fuels-Abs, Elec-LfL, DH&C-LfL, Fuels-LfL, Energy-Int

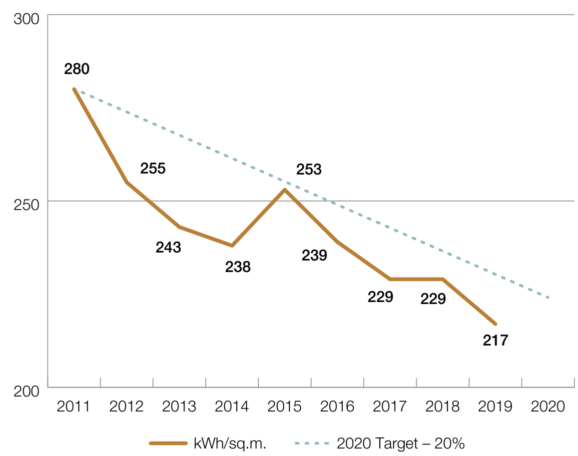
		Common areas and shared services			Tenant areas			Total					EPRA code
		2017	2018	2019	2017	2018	2019	2017	2018	2019	*% 18/19*	*% 17/19*	
Absolute	Electricity	28,822	28,000	27,915	20,633	19,920	19,842	49,455	47,920	47,757			*Elec-Abs*
	District heating systems	11,907	13,743	11,433	0	0	0	11,907	13,743	11,433			*DH&C-Abs*
	District cooling systems	10,228	11,317	10,410	0	0	0	10,228	11,317	10,410			
	Natural gas	0	0	474	0	0	0	0	0	474			*Fuels-Abs*
	Heating oil	612	674	0	0	0	0	612	674	0			
	Total energy use in MWh	**51,568**	**53,735**	**50,232**	**20,633**	**19,920**	**19,842**	**72,201**	**73,655**	**70,074**	***-4.9%***	***-2.9%***	
	Intensity in kWh/sq.m.							**258.7**	**266.0**	**248.9**	***-6.4%***	***-3.8%***	*Energy-Int*
	Number of buildings							*15/15*	*14/14*	*15/15*			
	% of sq.m.							*100%*	*100%*	*100%*			
Like-for-like	Electricity	28,276	28,000	27,601	19,739	19,920	19,842	48,014	47,920	47,442	*-1.0%*	*-1.2%*	*Elec.-LfL*
	District heating systems	11,143	13,743	11,010	0	0	0	11,143	13,743	11,010	*-19.9%*	*-1.2%*	*DH&C-LfL*
	District cooling systems	10,228	11,317	10,091	0	0	0	10,228	11,317	10,091	*-10.8%*	*-1.3%*	
	Natural gas	0	0	474	0	0	0	0	0	474	–		*Fuels-LfL*
	Heating oil	612	674	0	0	0	0	612	674	0	*-100%*	*-100%*	
	Total energy use in MWh	**50,258**	**53,735**	**49,176**	**19,739**	**19,920**	**19,842**	**69,997**	**73,655**	**69,018**	***-6.3%***	***-1.4%***	
	Intensity in kWh/sq.m.							**259.0**	**266.0**	**249.3**	***-6.3%***	***-3.8%***	*Energy-Int*
	Number of buildings								*14/14*				
	% of sq.m.								*100%*				

On a like-for-like basis, total energy use from all sources fell by 6.3% from 2018 to 2019.

In analysing consumption data, climate influence is an important parameter. For example, adjusted for the climate and the occupancy rate, energy use intensity in kWh/sq.m. declined by 22.6% like-for-like from 2011 to 2019, amply exceeding the 2020 target of a 20% like-for-like reduction.

(1) For more details, see the paragraph on carbon efficiency on pages 58 to 60.

ANNUAL CHANGE IN ENERGY USE INTENSITY BETWEEN 2011 AND 2019 ON A LIKE-FOR-LIKE BASIS IN KWH/SQ.M., ADJUSTED FOR OCCUPANCY RATES AND CLIMATE



Climate-adjusted energy use fell for all seven properties owned since 2011 that constitute the comparable portfolio. These reductions in each asset attest to the effectiveness of the measures taken by our team to optimise energy use.

5.2.2. Managing water use

SFL buildings are supplied 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.

We are endeavouring to improve rainwater recovery at our various sites, when this is technically feasible and the costs do not outweigh the benefits. Currently, three buildings, 92 Champs-Élysées, Washington Plaza and #cloud.paris, have rainwater recovery systems.

All of our buildings are located in Paris or the Paris region, which means that they are not very exposed to water stress risk(1).

The buildings owned and managed by SFL used some 153,000 cu.m of water in 2019, representing barely more than 32 litres per user per day.

Water use and water use intensity (common and tenant areas combined) in cu.m, cu.m/sq.m., and litres/user/day, absolute and like-for-like

EPRA code: Water-Abs, Water-LfL, Water-Int

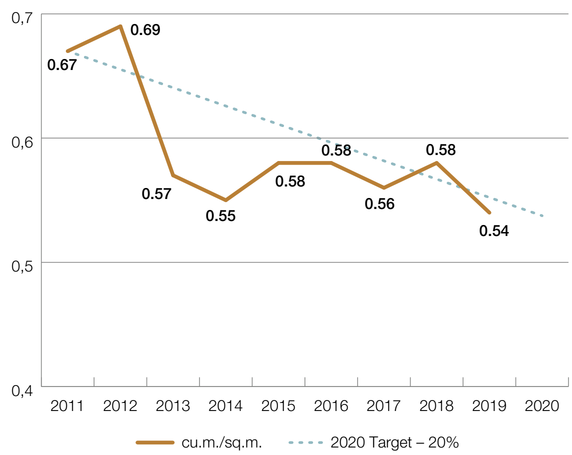
			2017	2018	2019	*% change 2018-2019*	*% change 2017-2019*	*EPRA code*
Absolute	**Total municipal water use in cu.m**		**154,395**	**157,809**	**153,061**	***-4.6%***	***-1.6%***	*Water-Abs*
	Intensity	in cu.m/sq.m	0.55	0.57	0.54	*-4.6%*	*-1.6%*	*Water-Int*
		in litres/user/day	32.8	33.6	32.3	*-3.9%*	*-1.5%*	
	Coverage rate	*Number of assets*	*15/15*	*14/14*	*15/15*			
		% of sq.m.	*100%*	*100%*	*100%*			
Like-for-like	**Total municipal water use in cu.m**		**148,664**	**157,809**	**151,887**	***-3.8%***	***2.2%***	*Water-LfL*
	Intensity	in cu.m/sq.m	0.55	0.57	0.55	*-3.7%*	*-0.2%*	*Water-Int*
		in litres/user/day	32.3	33.6	32.3	*-3.9%*	*0.0%*	
	Coverage rate	*Number of assets*			*14/14*			
		% of sq.m.			*100%*			

On a like-for-like basis, water use declined by 3.8% year-on-year in 2019.

SFL maintains the objective of reducing its water use intensity by 20% like-for-like between 2011 and 2020. By 2019, the reduction stood at 19.6% for the period.

(1) Low-Medium Risk, according to the latest Aqueduct Water Risk Atlas published by the World Resources Institute.

ANNUAL CHANGE IN WATER USE INTENSITY BETWEEN 2011 AND 2019 LIKE-FOR-LIKE IN CU.M/SQ.M., ADJUSTED FOR OCCUPANCY RATES



5.2.3. Circular economy: managing building waste and reusing construction materials

In addition to reducing energy and water use, SFL's commitment to supporting the circular economy covers two main issues: the management of building waste and the reuse of construction materials in renovation and redevelopment projects.

Properly managing building waste involves offering tenants an increasing array of sorting solutions and ensuring that waste collected by service providers is recycled or otherwise recovered and reused as appropriately as possible.

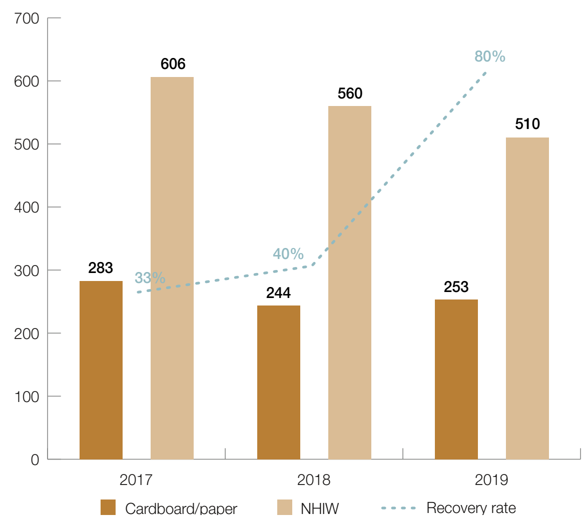
SFL also actively promotes the reuse of construction materials in its own redevelopment and renovation projects. In France, the construction industry generates some 50 million tonnes of waste every year, far more than the approximately 30 million tonnes produced by households[1]. As a solution to this challenge, reusing building site materials is triply effective, in that it saves the raw materials that would have been used to make new materials, avoids the carbon emissions from the new materials production process and eliminates the need for disposal.

SFL has partnered with two platforms, Backacia and Cycle Up, to support the reuse of scrap materials from redevelopment projects and floor plate renovations.

In 2019, more than 763 tonnes of waste (NHIW, paper and cardboard) were produced by tenant activities in the eight buildings owned and managed by SFL whose waste is not collected directly by the City of Paris[2].

On a like-for-like basis, the amount of waste has been reduced by 14% since 2017, to 28 kg per user per year.

BUILDING WASTE BY TYPE IN TONNES AND RECOVERY RATE IN % – LIKE-FOR-LIKE



Of total waste produced, 33% is directly sorted on-site and more than 80% is ultimately recovered and reused, mainly by being recycled or burned as fuel in waste to energy facilities. The recovery rate rose considerably in 2019, primarily due to the sharp increase in the percentage of non-hazardous industrial waste burned as fuel and the more effective collaboration with waste collection contractors, which improved their feedback on disposal methods.

(1) According to a study by the French Building Federation, *Étude de scénarii pour la mise en place d'une organisation permettant une gestion efficace des déchets du bâtiment dans le cadre d'une économie circulaire*, published in May 2019.
(2) Every SFL-managed building for which private waste management contracts have been signed is now included in the scope of reporting. Nevertheless, the overall coverage rate stands at 83% of the managed buildings, because waste from seven of them is collected directly by the City of Paris, leaving SFL without any data on the amount of waste or its disposal.

Building waste by type and by disposal method, in tonnes and % – absolute and like-for-like

EPRA code: Waste-Abs and Waste-LfL[1]

		2018					2019					EPRA code
Waste by type		**NHIW**	**Paper, cardboard**	**Total**	**Recycled waste**	**Recovered and reused waste**	**NHIW**	**Paper, cardboard**	**Total**	**Recycled waste**	**Recovered and reused waste**	
in tonnes		560	244	804	240	319	510	253	763	284	612	Waste-Abs and Waste-LfL
(%)		70%	30%	100%	30%	40%	67%	33%	100%	37%	80%	
Details by type of disposal		**Landfilled**	**Incinerated**	**Burned as fuel**	**Recycled**	**Other**	**Landfilled**	**Incinerated**	**Burned as fuel**	**Recycled**	**Other**	
in tonnes		88	183	80	240	214	34	107	328	284	11	Waste-Abs and Waste-LfL
(%)		11%	23%	10%	30%	27%	4%	14%	43%	37%	1%	
Coverage rate	*Number of assets*			*8/14*					*8/15*			
	% of sq.m.			*84%*					*83%*			

Initiatives deployed in 2019 to recover and reuse construction materials mainly concerned the projects to redevelop 83 Marceau and to renovate three floor plates in the Washington Plaza building.

More than 11 tonnes of scrap material from these two assets were sold on the platforms managed by our partners, Backacia and Cycle Up, giving doors, partitions, plates and technical equipment a second life and avoiding the release of nearly 170 tCO_2e, which represents more than 6% of our Scope 1 & 2 greenhouse gas emissions[2].

Outcomes of the materials recovery and reuse initiatives

		Tonnes of material recovered	Tonnes of CO_2e avoided	Types of material
83 Marceau		7.4	52.7	• Plant and flower boxes • Doors • Stair steps • Raised flooring • Lighting • Air extract units
Washington Plaza	*Third floor*	1.2	34.8	• Doors and frames • Inverters • Mixer faucets
	Eighth and ninth floors	2.7	82.3	• Doors • Partitions • Cabinets and racks

5.3. Carbon efficiency

The construction industry accounts for nearly one quarter of all greenhouse gas (GHG) emissions in France[3], making it a major challenge in the fight against climate change.

This poses two types of risk for the real estate sector:
– Transition risks, requiring it to adjust to changes in the regulatory environment and public policies as governments transition to a low-carbon economy. For example, France's revised national low-carbon strategy, issued in late 2018, calls for the real estate sector to be almost entirely carbon-free by 2050.
– Physical risks, with buildings directly exposed to the impact of climate change and the looming increase in extreme weather events.

Very early on, SFL set a highly ambitious target for abating its GHG emissions, aiming for a 20% reduction in $kgCO_2e$/sq.m. between 2011 and 2020. Today, this target has already been met, with carbon intensity down by 46% as of the end of 2019.

Lastly, SFL also performed a detailed analysis of its buildings' resilience and ability to adapt to climate change, with a particular eye to limiting the physical impacts.

5.3.1. Reducing Scope 1 & 2 greenhouse gas emissions

SFL is simultaneously activating three levers to reduce its Scope 1 & 2 GHG emissions:
– Improving the energy efficiency of its buildings (see section 5.2.1 for more details).
– Gradually phasing out use of the most carbon-intensive energy sources:

(1) The absolute and like-for-like scopes of reporting are identical and therefore undifferentiated, since they apply to the same assets in 2018 and 2019.
(2) See page 59 below.
(3) The housing sector released 89 million tCO_2e in 2016, or 20% of national Scope 1 emissions and 26% of Scope 2 emissions (i.e., from the generation of purchased electricity used in the buildings). Cited in France's National Low Carbon Strategy, revised on 6 December 2018.

  - Replacing the last fuel oil-fired boiler with a natural gas-fired installation in the spring of 2018 resulted in a 56% year-on-year reduction in Scope 1 emissions in 2019.
- Negotiating with suppliers to increase the proportion of energy from renewable sources:
  - The new power supply contract guaranteeing that 30% of the electricity purchased for our directly managed assets will come from renewable sources also had a significant impact on Scope 2 emissions.
  - Lastly, the coming years will see even sharper reductions in these emissions now that eligible assets are being gradually connected to the district cooling network (which has a very low emissions factor).

Carbon emissions from energy used in SFL-managed buildings represented 2,771 tCO_2e in 2019, of which only 80 tonnes directly from Scope 1 sources and 2,691 tonnes indirectly from Scope 2 sources.

On a like-for-like basis, emissions declined sharply, with a year-on-year reduction of almost 550 tCO_2e in 2019 and declines of 56% in Scope 1 emissions and 15% in Scope 2 emissions.

Scope 1 and Scope 2 GHG emissions, in tCO_2e – absolute and like-for-like

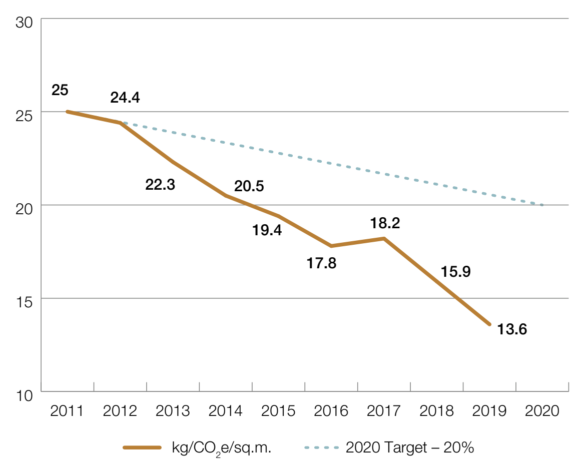
EPRA code: GHG-Dir-Abs, GHG-Indir-Abs

			2017	2018	2019	% 18/19	% 17/19	EPRA code
Absolute	Scope 1		166	183	80	*-56.3%*	*-51.8%*	*GHG-Dir-Abs*
	Scope 2		3,537	3,061	2,691	*-12.1%*	*-23.9%*	*GHG-Indir-Abs*
	Total in tCO2e		**3,703**	**3,244**	**2,771**	***-14.6%***	***-25.2%***	
	Coverage rate	*Number of assets*	*15/15*	*14/14*	*15/15*			
		% of sq.m.	*100%*	*100%*	*100%*			
Like-for-like	Scope 1		166	183	80	*-56.3%*	*-51.8%*	*GHG-Dir-LfL*
	Scope 2		3,364	3,061	2,614	*-14.6%*	*-22.3%*	*GHG-Indir-LfL*
	Total in tCO_2e		**3,530**	**3,244**	**2,694**	***-17.0%***	***-23.7%***	
	Coverage rate	*Number of assets*		*14/14*				
		% of sq.m.		*100%*				

Carbon emissions intensity down 46% since 2011

Carbon emissions intensity in kgCO_2e/sq.m. (adjusted for occupancy rates and climate) was down by 45.7% in 2019 compared to the 2011 baseline, amply exceeding the 2020 target of a 20% like-for-like reduction.

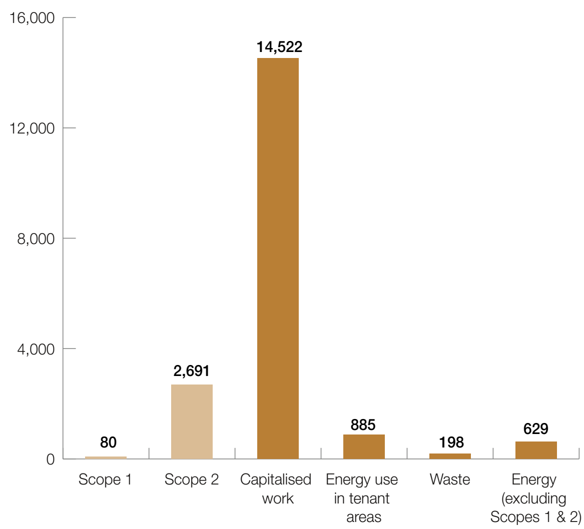
Annual change in carbon intensity between 2011 and 2019, like-for-like, in kgCO_2e/sq.m., adjusted for occupancy rates and climate



5.3.2. Measuring and managing the broader carbon footprint

SFL is also extending its carbon footprint measurements to include the main Scope 3 sources by estimating the emissions from:
– Capitalised work: renovation and redevelopment projects;
– Waste: end-of-life disposal of building waste;
– Energy use in tenant areas: energy used by tenants;
– Energy (excluding Scopes 1 & 2): line losses on energy use included in Scope 1 & 2.

MAIN SCOPE 3 SOURCES, IN TCO$_2$E



5.3.3. Making properties more climate resistant

SFL assets are exposed to the effects of climate change and the foreseeable increase in the number of resulting extreme weather events. In response, climate risks have been analysed in accordance with ADEME recommendations, in order to comply with regulatory standards, prepare for the properties' technical obsolescence and, in this way, guarantee the sustainable quality of the occupant experience.

As part of this process, all SFL-owned buildings were reviewed to determine their resilience to floods, heat waves, storms and other weather events, by identifying the possible impacts on each one's superstructure and shell, plumbing, electricals, HVAC, landscaping and exterior fixtures.

Weather-wise, 2018 and 2019 were two of the three warmest years on record in France, and in 2019, the Paris area experienced two unusually intense summer heat waves. During these events, tenants did not report any technical malfunctions or give any negative feedback, indicating that building utilities were properly sized and efficiently operated, and that the proactive information and alerts had proven effective.

5.4. Biophilia

SFL understands biophilia as the opportunity to reconnect with nature thanks to a building's architecture.

Our properties are located in Paris or the inner suburbs, in a dense and often restrictive urban environment. The presence of quiet, peaceful, healthy gardens whose greenery and water features attract insect and bird life therefore helps to create value in our buildings, especially when they offer users the possibility of reconnecting with their surroundings.

Among the preferred ways to deliver this experience are green walls and roof gardens, which enable us to meet the rising expectations of our tenants and their employees, adapt our buildings to climate change and preserve urban biodiversity.

5.4.1. Increasing planted and landscaped areas in properties

Landscaping is an essential part of every redevelopment project. Green spaces, plants and landscaping are a distinguishing feature of the current Biome redevelopment project. The weighted landscaped area will be almost doubled to nearly 1,700 sq.m. in the end, and 20 ordinary trees will be replaced by 35 trees and 25 shrubs of diverse species. In addition, the project is seeking BiodiverCity® Excellent certification.

Previously, a plant and water-based landscape was also recreated around the Le Vaisseau building in Issy-les-Moulineaux, with wide pontoon terraces near the Seine bringing users close to the calming presence of water.

In the 9 Percier paved seating areas, the original art deco mosaics have been given a facelift and the fountain in the main patio has been restored. Our tenants have the use of these paved areas, which feature plants, trees and garden furniture.

We plan to increase planted areas to 11% of the portfolio's footprint by the end of 2020.

As of end-2019, green walls and other planted areas represented some 8,500 sq.m. or more than 9% of the portfolio's total footprint.

As part of this commitment, two green walls covering 34 and 32 sq.m. respectively have been installed in the interior courtyards of the Cézanne Saint-Honoré complex.

In addition, landscaping the extremely stony courtyard of the Édouard VII complex in 2018 enabled the planting of six trees and 35 bushes in a 25 sq.m. green space.

5.4.2. Avoiding excessive urbanisation and loss of biodiversity

Rising occupation density in SFL assets is helping us to resist creeping urbanisation by concentrating new uses and amenities in previously built-up spaces. SFL is also committed to preserving and enhancing biodiversity in its buildings, in particular by using their landscaped areas to create protected habitats for animal species used to living in an urban environment. SFL also systematically applies City of Paris biodiversity recommendations concerning nesting areas for birds and insect hotels.

No additional soil space has been sealed during the redevelopment projects completed over the past five years. Lastly, our green space operating contracts include a "zero pesticides" approach to ensure that these areas do not generate any health risk.

6. Human value

Corporate social responsibility is about a lot more than environmental issues. It also involves taking a compassionate approach to such human and societal issues as the quality of worklife, the quality of supplier relations, the ability to attract and retain talented employees and compensation systems.

SFL had 68 employees at 31 December 2019, of whom 66 work in the head office at 42 rue Washington in Paris and two are based in the building at 176, avenue Charles de Gaulle in Neuilly-sur-Seine.

Women make up the majority of the workforce, at 65% of the total, and 78% of employees are classified as managers.

In addition to company agreements, employees are covered by two collective bargaining agreements: the National Collective Agreement for the Property Industry and the National Collective Agreement for Building Caretakers, Concierges and Employees.

6.1. Business ethics

Employees may contact the Internal Control Department if they have any questions about professional ethics or conduct. No cases of bribery came to light in 2019 and the Group was not subject to any disciplinary measures. No political donations were made, in accordance with French legislation, which bans such practices.

6.1.1. Ethics in the SFL value chain

Every new hire receives a copy of the SFL code of conduct, attached to his or her employment contract. The code specifies the principles and practices that employees are expected to demonstrate in our business activities, in such areas as transparency, professional integrity, fraud prevention, non-discrimination and legal and regulatory compliance.

SFL complies with the provisions of the code of conduct for SIIC real estate companies, which covers issues like the selection and rotation process used for the independent portfolio appraisers.

Measures are also in place to ensure that employees as well as suppliers uphold the Fundamental Conventions of the International Labour Organization (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, legal liability is assigned at two levels:
– the company that fails to report an employee or employs an undocumented worker is subject to criminal, administrative and financial sanctions;
– co-contractors can also be held financially liable, i.e., any co-contractor which, when a contract for the provision of work or services is signed, does not verify that the other contractor has made all the applicable declarations and is up to date with its social security contributions. Compliance checks have to be performed every six months throughout the term of the contract.

6.1.2. Tracking the ethical and human performance of suppliers

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 capabilities and financial condition. 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 2019, we pursued the supplier selection process based on their APE business code, which provides an indicator of their potential exposure to the risk of employing undocumented workers. This exercise revealed that for SFL, the most exposed sectors were construction and public works, cleaning and security services, and IT services.

6.2. 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.

In response, SFL's objective is to spend the equivalent of more than 2.5% of total payroll on training each year and offer competitive, incentivising compensation packages.

6.2.1. Attracting and retaining talent

Fourteen new employees joined the SFL corporate community in 2019, of whom 12 under permanent contracts and two under fixed-term contracts, while eight people left during the year (nine including the termination of one of the two fixed-term contracts signed with the same employee during the year)[1].

As part of its commitment to employee skills development, in 2018 SFL revamped its annual performance and career development review process. Deployed in 2019 for the second consecutive time, the new module was supported with training for managers in charge of leading reviews, which expanded on the course organised last year. The two half-day sessions focused on the review process (conditions for success, conducting the review and following up) and how to communicate during the review itself (verbal, paraverbal and non-verbal communication, listening, assertiveness).

Based on the average number of employees in 2019 (70.3) and the number of employees under permanent contracts who were hired or left during the period, the turnover rate was 14.2%, versus 12.8% in 2018[2].

On the same basis, the average seniority of employees on the payroll at 31 December 2019 was 11 years, unchanged from the year before.

6.2.2. Remuneration and benefits

To encourage our employees' professional growth and engagement, policies are in place to offer them fair, attractive and incentivising remuneration.

Direct remuneration

Each employee is paid a salary and a variable performance-based bonus. In 2019, the target bonus represented on average 17% of the employee's base salary (excluding Management Committee members).

For employees on payroll at 31 December 2019, total remuneration for the year (salary and bonus) averaged €70,150, again excluding Management Committee members.

Indirect remuneration

A total of €1,068,035 was paid out to employees in 2019 under discretionary and non-discretionary profit-sharing plans, including €388,233 in residual discretionary profit shares resulting from the disposal of a strategic real estate asset in 2017.

To encourage people to save for retirement, SFL matches employee investments in the Group Pension Savings Plan (PERCO) in an amount of up to €4,500 a year per employee. In 2019, every employee invested in the plan also received an additional employer matching contribution of €400.

Similarly, in accordance with France's PACTE Law, on 1 October 2019, SFL converted the PERCO into a PERECO plan, which allows employees to deduct their annual investment from their taxable income for the year. Under this system, 75 employees invested in the new plan in 2019, entitling them to an average matching contribution of €2,964 from SFL.

All told, SFL's financial support for employees seeking to save for retirement amounted to €222,307 in 2019, versus €204,350 the year before.

In 2019, for the seventh consecutive year, bonus shares were granted to employees, this time to 54 people (of whom 52 employees) representing 72% of the workforce on payroll at year-end.

Remuneration policies also cover a number of extra benefits, including a time savings account that converts unused leave entitlement into investments in the PERECO plan, service vouchers fully financed by the Company and the Works Council, and subsidised food services (meal vouchers and/or intercompany staff restaurants).

All of these various benefits are presented in the Personal Remuneration and Benefit Review prepared for each employee.

These annually issued reviews meet several objectives: to inform employees as clearly as possible about the Company's various remuneration systems and also to present the value of their total package (salary, bonus, other remuneration and benefits).

(1) Excluding seasonal employees under fixed-term contracts. Hiring, separation and workforce data at 31 December 2019 are presented in detail in the table of EPRA employee indicators, pages 70 to 71.
(2) Turnover calculation formula: (Number of separations during the period + number of new hires during the period)/2/average number of employees over the period.

6.2.3. Training and skills development

Every year, SFL defines objectives for its employee training programmes, in a constant commitment to:
- create and nurture conditions in which every employee has access to training and skills development,
- prepare for emerging technical, legal, environmental and other changes in the industry, in order to improve the professionalism of our employees and enable them to do their jobs effectively in the best possible conditions.

Every year, during the annual and/or career development reviews, the actions specified in the skills development plan are discussed by managers and employees, who mutually agree on the best solutions for meeting both the employee's aspirations and the needs expressed by the department and/or the Company.

In 2019, for example, training sessions primarily focused on asset management, financial management, law, business management, office technology, languages, security and safety.

In 2019, SFL invested the equivalent of 3.3% of the total payroll in training and skills development. As in 2018, this exceeded the 2.50% target set to support employee skills acquisition and/or development.

In all, more than 1,500 hours of training were offered to 66 employees, representing an average of 24 hours per trainee[(1)].

Raising employee awareness of biodiversity and the environment

Four environmental awareness workshops were again organised for employees in 2019, supported by the partnership formed in 2018 with environmental education association Graine Île-de-France. They covered such issues as waste management, the impact of plastics, biodiversity and the mechanisms of climate change and their implications for SFL employees and their jobs.

6.3. 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. We are also committed to renewing the quality of worklife survey at least every two years, with the goal of ensuring compliance with the obligation to regularly assess workplace risks, while laying the foundations for the continuous improvement in the working environment.

As part of this process, for the second consecutive year, a new quality of worklife survey was conducted in 2019 using an online questionnaire sent to every employee and covering seven issues: the sense of corporate community, management, job fulfilment, working conditions, corporate discourse, authority as support and team projects.

Presented to the Social and Economic Committee and employees, the findings showed an improvement in certain parameters, such as the protective nature of the organisation, taking initiative, empowerment and the prioritisation of assignments.

6.3.1. Health and safety

In 2019, our employee health and safety policies were actively pursued, with:
- the participation of five employees in a new round of the Workplace First Responder training programme;
- the organisation of a new series of fire prevention training sessions in coordination with APAVE, a risk management consultancy;
- the renewal of authorisations for qualified employees to work on electrical installations and equipment;
- deployment of a programme to assess the risks of exposure to electromagnetic fields.

No occupational diseases were reported in 2019.

The only work-related accident recorded during the year occurred during a business trip. In addition, five commuting accidents were reported during the year

6.3.2. Quality of working environment

Renewed in 2019, the programme to help prevent psychosocial risks and improve the quality of worklife was attended by 73% of employees during the year. Meetings organised in every department offered participants the opportunity to recommend possible action plans, which primarily concerned communication and information sharing.

Results of the survey helped to shape the new gender equality in the workplace and quality of worklife agreement signed in December 2019 as part of the statutory annual pay round, which also endorsed a telecommuting option that will be trialled in 2020.

To measure employee well-being and engagement, in particular for the purposes of this report, SFL has chosen primarily to track the short-term absenteeism rate, based on the number of days lost to unauthorised absences of up to four days. In 2019, the rate stood at 0.67%, down from 0.70% in 2018.

(1) Training data at 31 December 2019 are presented in detail in the table of EPRA employee indicators, pages 70 and 71.

6.3.3. Work/life balance

In December 2019, SFL management and employee representatives agreed to explore new ways of organising work in the Company by testing a telecommuting system.

The agreement reflected their commitment to proposing arrangements that would improve both job performance and quality of worklife by encouraging a more fulfilling work-life balance, while preserving the current work organisation and sense of corporate community.

As of 31 December 2019, SFL had 68 full-time employees and six part-time employees. The six part-time contracts correspond to employees who have chosen to work fewer hours, as opposed to being forced for organisational or operational reasons.

6.4. Diversity and equal opportunity

Diversity and gender equality in the workplace is a major issue for employee development and business growth.

We have therefore reaffirmed our pledge to reject any and all forms of discrimination and our action to promote equal opportunity and diversity in the workplace.

In 2017, we undertook a certain number of initiatives to:
- fulfil the undertakings in the gender equality in the workplace agreement (described in more detail below),
- secure our support for the disabled, which includes the grant made to the ADAPT non-profit organisation, the agreement with the ARPEJEH (which supports students with disabilities in their studies), and our practice of buying goods and services from companies specialised in employing people with disabilities.

6.4.1. Gender equality

In December 2017, a three-year gender equality in the workplace agreement was signed, 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;
- actual remuneration packages.

Recruitment

Objectives:
- To endeavour to obtain, as far as possible, an equal number of male and female candidates;
- To drive greater gender balance in the job classification grid.

At 31 December 2019, 54% of SFL managers were women.

Seven of the 14 employees hired under permanent or fixed term contracts during the year were women.

Four of the five people promoted as of 1 January 2019 were women.

Training

Objectives:
- To ensure that men and women have equal access to training opportunities;
- To define with each employee returning from maternity, adoption or parental leave training courses to ease their transition back into the workforce;
- To identify and address any family-related issues employees may face while in training.

In 2019, women who participated in at least one training session or event during the year accounted for more than 60% of trainees and spent an average 22 hours in training (27 hours for men). Out of the average number of employees in 2019, 95% of men and 93% of women attended training sessions during the year.

Remuneration

Objectives:
- To guarantee that women and men who are hired for equivalent jobs are offered the same initial pay and that they continue to receive equal pay throughout their careers with the Group;
- To eliminate any distortions in remuneration resulting from parental-related leave.

As part of the statutory annual pay round in 2019, 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.

On a constant headcount basis, the average base salary (excluding bonuses) of women employees rose by 3.7% year-on-year in 2019, versus 2.6% for men[1].

(1) Gender equality in the workplace data at 31 December 2019 (number of employees, training, remuneration) are presented in detail in the table of EPRA employee indicators, page 70.

6.4.2. Other diversity indicators

Seniors and young people

SFL also attaches particular importance to combating age-based discrimination. The average age of employees is 44. As of 31 December 2019, employees aged 45 or older represented 51% of the workforce and people under 35 represented 23%.

People with disabilities

As part of its policy of supporting employment opportunities for people with disabilities, in 2019 SFL once again helped to finance the operating budget of ADAPT, a non-profit organisation working in this area, through an annual grant and the allocation of a portion of its apprenticeship tax due for the year.

During the year, we also commissioned services from ANRH, a company staffed by people with disabilities.

In 2019, SFL also joined the ARPEJEH association, which promotes the training, qualification and employment of people with disabilities by supporting students between 15 and 30 in their studies and career development.

6.5. Corporate sponsorship and philanthropy

6.5.1. Community engagement

Fondation Palladio: Building the City of Tomorrow

For the sixth straight year, SFL was a sponsoring partner of Fondation Palladio, which was set up in 2008 under the aegis of the Fondation de France to address a major challenge of the 21st century, that of developing urban areas and building communities.

By comparing the perspectives of business and political decision-makers, managers and experts, students and professionals, academics and people working in the field, each of the Foundation's initiatives helps to nurture a process of challenging preconceived ideas, embracing new ones and learning from one another. SFL supports the Foundation's commitment to creating the conditions that will further improve every property and urban development stakeholder's ability to respond to the major economic, environmental, human and societal challenges facing our world today and far into the future.

Pavillon de l'Arsenal, the Paris architecture and urban planning centre

SFL regularly supports Pavillon de l'Arsenal, the architecture and urban planning information, documentation and exhibition centre for the Paris metropolitan area.

Pavillon de l'Arsenal is a non-profit organisation, set up to promote information and knowledge among specialists and the general public about the capital and the surrounding area's architectural heritage and urban landscape and to help promote the city's architectural landmarks.

Its objectives are seamlessly aligned with SFL's history, which has been deeply rooted in the development of the Parisian urban landscape since the end of the 19th century.

SFL also organises employee-only tours of the Pavillon de l'Arsenal.

City of Paris – Nuit Blanche

SFL supports the City of Paris' Nuit Blanche all-night performance festival organised for the 18th time in 2019, which offers the public free access to an array of artistic events in the capital, for one night only.

In this way, we contribute to promoting Paris' cultural outreach, sometimes by organising events in our own properties, while supporting the creative arts and making them accessible to everyone.

Foulées de l'Immobilier race

A team of SFL runners participated in the 2019 Foulées de l'Immobilier race organised by students in a property management Master's programme at the University of Paris Dauphine, for the benefit of Fondation Dauphine's equal opportunity programme. Profits from the run help to fund housing scholarships for the master's students.

6.5.2. Community engagement initiatives

ADAPT: helping people with disabilities to take up their rightful place in society and find work

We have been supporting ADAPT for many years as part of our policy of promoting employment opportunities for people with disabilities.

For example, we contribute to the European Disability Employment Week organised by ADAPT since 1997, which took place last year from 18 to 24 November. This annual event aims to raise awareness among companies and the public about the lack of work opportunities for people with disabilities.

7. Appendices

7.1. Methodological note

7.1.1. Methodology for calculating environmental and societal indicators

SFL has developed an internal reporting methodology that has standardised the data collection process, identified contributors and defined the verification method.

It also describes the applicable standards, particularly as found in the non-financial information regulatory framework and the EPRA's recommendations.

Lastly, it defines the scope of reporting.

Scope of reporting

SFL's portfolio comprises 20 buildings, representing a total surface area of 392,300 square metres.

Each indicator's scope of reporting is described in section 3.2 above. For example, the scope of reporting for energy and water use indicators excludes the buildings that are not operationally managed by SFL (because SFL does not manage their energy and water systems), buildings that have been vacated prior to redevelopment, buildings that are being redeveloped, and residential units.

Changes in scope of reporting

The number of buildings in the scope of reporting may change as a result of:

– acquisitions or disposals: buildings sold during the year are removed from that year's scope of reporting. Properties acquired during the year are included in the scope only after a full year in use under SFL management;
– redevelopments: refurbished, delivered buildings that have been at least 60% let and in use for at least one full year are included in the scope.

Standardised surface area and occupancy rate calculations

The standard measure used to calculate building energy use intensity is the average useful surface area, expressed in square metres (sq.m.).

The occupancy rate used to adjust indicators corresponds to the average occupancy rate for the reporting year.

Reporting period

To enable the collection of data early enough to issue the report in a timely manner, the reporting period for the indicators measuring energy and water use, GHG emissions and waste production is now the rolling 12 months from 1 October to 30 September.

This period was applied to data reported for 2016, 2017, 2018 and 2019.

All of the other environmental and societal indicators are reported for the calendar year.

Energy

Energy data is collected from the following sources and consolidated for each building:

– meter readings;
– property manager invoices excluding VAT;
– data extracted from the property managers' databases via the client interface.

When an asset's total energy use is unknown, in particular for the tenant 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 consumed in the areas used by SFL and other occupants, depending on the building.

The comparison between the baseline year and the reporting year factors in climate variability using unified degree days (baseline 18°C).

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

	Type of asset		Building man-aged	Type of energy					GLA Gross Leasing Area
				Heating (district heating network or natural gas/ fuel oil-fired boilers)	District cooling network	Electricity			
						Building utilities/ Common areas	Tenant areas Offices	Tenant areas Retail	
176 Charles de Gaulle	Offices	Multi-tenant	Yes	Fuel oil -> 04/18 05/18 ->Natural gas	Not applicable				7,381
Washington Plaza	Offices	Multi-tenant	Yes	Not applicable	Not applicable				47,214
Édouard VII	Offices	Multi-tenant	Yes	CPCU	Climespace				49,615
Rives de Seine	Offices	Multi-tenant	Yes	Not applicable	Not applicable			Not applicable	22,671
Cézanne Saint-Honoré	Offices	Multi-tenant	Yes	CPCU	Climespace				29,047
Louvre Saint-Honoré	Offices	Multi-tenant	Yes	CPCU	Not applicable				47,645
103 Grenelle	Offices	Multi-tenant	Yes	CPCU	Not applicable				18,865
112 Wagram	Offices	Multi-tenant	Yes	CPCU	Not applicable				5,998
92 Champs-Élysées	Offices	Multi-tenant	Yes	CPCU	Climespace				7,692
Galerie des Champs-Élysées	Retail	Multi-tenant	Yes	CPCU	Climespace		Not applicable		8,652
#cloud.paris	Offices	Multi-tenant	Yes	CPCU	Climespace			Not applicable	35,004
131 Wagram	Offices	Multi-tenant	Yes	Not applicable	Not applicable			Not applicable	9,185
9 Percier	Offices	Multi-tenant	Yes	CPCU	Not applicable			Not applicable	6,689
90 Champs-Élysées	Offices	Multi-tenant	No	CPCU	Climespace			Not applicable	8,861
6 Hanovre	Offices	Single tenant	Yes	CPCU	Climespace				4,608
104/110 Haussmann	Offices	Single tenant	Yes	CPCU	Climespace				13,434
Le Vaisseau	Offices	Single tenant	Yes	Not applicable	Not applicable				6,332
Marceau	Offices	Multi-tenant	Yes	CPCU	Not applicable				8,918
Condorcet	Offices	Single tenant	No	Natural gas					23,432
Biome	Offices			CPCU	Climespace				24,500

Current scope of reporting for 2019

Building utilities/Actual consumption managed and paid by SFL and then reallocated:

Building utilities/Tenant areas

Consumption managed and paid directly by the tenant(s):

Actual/estimated

Indirectly managed portfolio

Water use

Data are collected from the following sources:

- water meters read by the multi-technical maintenance providers;
- property managers' databases, extracted via the client interface.

Waste

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

GHG emissions

GHG emissions are calculated based on the actual use of each energy source and its related emissions factor, as found in the ADEME's BEGES carbon audit database.

The factors can change from year to year, depending on updates to the database, which are applied to all of the factors used.

For 2019, given the lack of accurate information, the 2018 emissions factors have been used.

7.1.2. Methodology for calculating employee relations indicators

Details of the method used to calculate the employee relations indicators are provided following the description of the indicators in section 6 "Employee value," pages 61 to 65 above. Further details may also be found in the comments column in the EPRA indicators table on pages 70 and 71.

7.2. EPRA indicators

7.2.1. Environmental indicators – Buildings in-use

Topic	Indicator	EPRA code	Unit	2018	2019	Change, YoY	Coverage rate
Certifications							
	Number of assets BREEAM In-Use-certified assets	Cert-Tot	Number of assets	18	18	–	100%
	% of portfolio certified by value		% of portfolio certified by value	100%	100%	–	100%
Energy							
	Total use of electricity from renewable sources	Elec-Abs	MWh	9,065	11,172	+23%	100%
	Total use of electricity from non-renewable sources	Elec-Abs	MWh	18,935	16,717	-12%	100%
	Total use of electricity from renewable sources – like-for-like	Elec-LfL	MWh	9,065	11,146	+23%	100%
	Total use of electricity from non-renewable sources – like-for-like	Elec-LfL	MWh	18,935	16,453	-13%	100%
	Total energy use, district heating and cooling networks	DH&C-Abs	MWh	25,060	21,843		100%
	Total energy use, district heating and cooling networks – like-for-like	DH&C-LfL	MWh	25,060	21,101	-16%	100%
	Total natural gas and fuel use	Fuels-Abs	MWh	674	474	–	100%
	Total natural gas and fuel use – like-for-like	Fuels-LfL	MWh	674	474	-30%	100%
	Energy use intensity	Energy-Int	kWh/sq.m.	266	248.9	-6%	100%
	Energy use intensity – like-for-like		kWh/sq.m.	266	249.3	-6%	100%
Greenhouse gas emissions							
	Total direct greenhouse gas (GHG) emissions (Scope 1)	GHG-Dir-Abs	tCO_2e	183	80	-56%	100%
	Total indirect greenhouse gas (GHG) emissions (Scope 2)	GHG-Indir-Abs	tCO_2e	3,061	2,691	-15%	100%
	Carbon intensity	GHG-Int	$kgCO_2e$/sq.m.	11.7	9.8	-16%	100%
Water							
	Total water use	Water-Abs	cu.m.	157,809	153,061	–	100%
	Total water use – like-for-like	Water-LfL	cu.m.	157,809	151,887	-4%	100%
	Water use intensity	Water-Int	cu.m./sq.m.	0.57	0.54	-5%	100%
	Water use intensity – like-for-like		cu.m./sq.m.	0.57	0.55	-4%	100%
Waste							
	Total waste produced, by disposal method	Waste-Abs	tonnes	804	763	-5%	83%
			% landfilled	11%	4%	-60%	
			% incinerated	23%	14%	-38%	
			% incinerated with energy recovery	10%	43%	335%	
			% recycled	30%	37%	25%	
			% other	27%	1%	-95%	
	Total waste produced, by disposal method – like-for-like	Waste-LfL	tonnes	804	763	-5%	84%
			% landfilled	11%	4%	-60%	
			% incinerated	23%	14%	-38%	
			% incinerated with energy recovery	10%	43%	335%	
			% recycled	30%	37%	25%	
			% other	27%	1%	-95%	

EPRA methodological note (in addition to the methodological information presented in section 7.1)

1. Scope of reporting: the data entered in the above tables are based on the principle of operational control. Energy use data only concern energy use in common areas and by shared heating and air conditioning systems managed by SFL. Greenhouse gas emissions are calculated based on this consumption and water use data includes data reported to SFL concerning its directly managed water facilities.
2. Segmental analysis: SFL's buildings in operation consist of office buildings located exclusively in Paris and the Paris region. The segmental analysis proposed by EPRA is therefore not applicable.
3. Normalisation: the square metres used to calculate intensities by surface area correspond to the buildings' usable surface area because, for the properties included in the reporting scope, SFL provides heating and air conditioning for the entire building.
4. Estimate: the data in the EPRA tables are calculated based on actual invoiced use.
5. Coverage rate: for each EPRA performance indicator, the coverage rate is calculated as a percentage of the total surface area.
6. Verification: the reported data are verified by an independent third party with a moderate level of assurance.
7. Head office: the information about offices occupied by SFL is reported in a separate table, as recommended by EPRA.
8. Narrative on performance: period-on-period changes are reported for each indicator on pages 51 to 60.

7.2.2. Environmental indicators – Head office occupied by SFL

Topic	Indicator	EPRA code	Unit	2018	2019	Change, YoY
Certifications						
	% of head office certified	Cert-Tot	% of head office	100%	100%	
Energy						
	Total use of electricity from renewable sources	Elec-Abs	MWh	49.1	55.9	
	Total use of electricity from non-renewable sources	Elec-Abs	MWh	113.4	93.1	
	Total use of electricity from renewable sources – like-for-like	Elec-LfL	MWh	49.1	55.9	
	Total use of electricity from non-renewable sources – like-for-like	Elec-LfL	MWh	113.4	93.1	
	Total energy use, district heating and cooling networks	DH&C-Abs	MWh	0	0	
	Total energy use, district heating and cooling networks – like-for-like	DH&C-LfL	MWh	0	0	
	Total fuel use	Fuels-Abs	MWh	0	0	
	Total fuel use – like-for-like	Fuels-LfL	MWh	0	0	
	Energy use intensity	Energy-Int	kWh/sq.m.	80	73.3	
	Energy use intensity – like-for-like		kWh/sq.m.	80	73.3	
Greenhouse gas emissions						
	Total direct greenhouse gas (GHG) emissions (Scope 1)	GHG-Dir-Abs	tCO_2e	0	0	
	Total indirect greenhouse gas (GHG) emissions (Scope 2)	GHG-Indir-Abs	tCO_2e	5	4.27	
	Carbon intensity	GHG-Int	$kgCO_2e$/ sq.m.	2.6	2.1	
Water						
	Total water use	Water-Abs	m^3	441.3	415.8	
	Total water use – like-for-like	Water-LfL	m^3	441.3	415.8	
	Water use intensity	Water-Int	m^3/sq.m.	0.215	0.202	
	Water use intensity – like-for-like		m^3/sq.m.	0.215	0.202	
Waste						
	Total waste produced, by disposal method	Waste-Abs	tonnes	2.22	2.50	
			% recycled	100%	100%	
			% re-used	0%	0%	
			% composted	0%	0%	
			% incinerated	0%	0%	
			% disposed of by another method	0%	0%	
			% landfilled	0%	0%	
	Total waste produced, by disposal method – like-for-like	Waste-LfL	tonnes	2.22	2.50	
			% recycled	100%	100%	
			% re-used	0%	0%	
			% composted	0%	0%	
			% incinerated	0%	0%	
			% disposed of by another method	0%	0%	
			% landfilled	0%	0%	

7.2.3. Employee, societal and governance indicators

Topic	EPRA code	Indicator	Unit	2017	2018	2019	Comments
Diversity							
	Diversity-Emp	Percentage of men and women on the Board of Directors	Number of women	6	6	6	
			% of women	40	43	43	exactly 42.86% at 31 December 2019
			Number of men	9	8	8	
			% of men	60	57	57	exactly 57.14% at 31 December 2019
		Percentage of men and women on the Management Committee	Number of women	2	2	2	Number of Management Board members at 31 December, including the Chief Executive Officer
			% of women	22%	25%	25%	
			Number of men	7	6	6	
			% of men	78%	75%	75%	
		Percentage of men and women managers, excluding the Management Committee	Number of women	29	29	30	Number of managers at 31 December
			% of women	60%	63%	58%	
			Number of men	19	17	22	
			% of men	40%	37%	42%	
		Percentage of men and women among other employees	Number of women	15	13	13	Number of other employees at 31 December
			% of women	88%	87%	87%	
			Number of men	2	2	2	
			% of men	12%	13%	13%	
		Percentage of men and women among all employees	Number of women	46	44	45	Total number of employees at 31 December, excluding the Chief Executive Officer
			% of women	63%	65%	61%	
			Number of men	27	24	29	
			% of men	37%	35%	39%	
	Diversity-Pay	The ratio of the total compensation of men to women on the Management Committee (excluding the Chief Executive Officer and the Managing Director)	%	-3%	3%	3%	Theoretic gross base salary, excluding long-service pay and bonuses at 31 December, CEO and MD compensation and work-study contracts *1- (average woman's salary/ average man's salary)*
		The ratio of the total compensation of men to women managers (excluding Management Committee members)	%	14%	16%	16%	
		The ratio of the total compensation of men to women in other categories	%	-8%	-6%	-4%	
		The ratio of the total compensation of men to women in the entire workforce	%	30%	35%	29%	
Training							
	Emp-Training	Total number of training hours	Number	1,870	1,307	1,575	
		Number of employees trained	Number	69	56	66	
		Average number of hours per trainee	Number	27	23	24	
		% of employees trained	%	96%	79%	94%	*Number of employees trained/ average number of employees*
		% of payroll allocated to training	%	3.60%	3.20%	3.31%	
Assessment							
	Emp-Dev	% of employees who received performance reviews during the year	%	93%	90%	90%	*Number of reviews/number of eligible employees*

Topic	EPRA code	Indicator	Unit	2017	2018	2019	Comments
Attracting and retaining talent							
	Emp-Turnover	New employee hires under permanent contracts	Number	4	8	12	
		New employee hires under fixed-term contracts	Number	2	3	3	Of which two fixed-term contracts signed with the same employee
		Total new hires	Number	6	11	15	14 considering that one employee was hired twice under two successive fixed-term contracts
		Terminations by mutual agreement	Number	6	5	2	
		Expiries of fixed-term contracts	Number	2	5	1	Concerns one of the fixed-term contracts signed with the same employee
		Resignation	Number	1	2	3	
		Dismissal	Number	0	0	0	
		Total separations	Number	9	15	9	Including two after the trial period and one retirement
		Turnover	%	7.38%	12.81%	14.23%	*(Number of separations of employees under permanent contracts + number of new employee hires under permanent contracts/2/average number of employees*
Health and safety							
	H&S-Emp	Number of fatal accidents	Number	0	0	0	
		Number of cases of occupational illness	Number	0	0	0	
		Number of occupational accidents	Number	0	0	1	Excluding commuting accidents: 5
		Accident frequency rate	Rate	0.00	0.00	40.34	(No. of accidents with initial benefit payment reported per one million hours worked)
		Accident severity rate	Rate	0.00	0.00	0.29	(No. of days lost due to temporary disability per 1,000 hours worked)
		Short-term absenteeism rate	Rate	0.98%	0.70%	0.67%	One to three days
	H&S-Asset	Percentage of assets covered by health and safety risk management system	% of assets covered	80%	93%	93%	–
	H&S-Comp	Number of health and safety-related incidents of non-compliance	Number of incidents	0	0	0	–
Community engagement							
	Comty-Eng	Community engagement initiatives	% of assets or description	–	–	–	Given that SFL's assets are concentrated in Paris and the inner suburbs, community engagement intiatives are undertaken directly at Group level and disclosed in Chapter 6.5.

GOVERNANCE INDICATORS				
Topic	EPRA code	Indicator		Explanation
Governance				
	Gov-Board	Composition of the Board of Directors	Description	*Please see pages 79 to 100 of the Financial and Legal Report*
	Gov-Select	Nomination and selection process for the Board of Directors	Description	*Please see pages 79 to 100 of the Financial and Legal Report*
	Gov-Col	Procedure for managing possible conflicts of interest	Description	*Please see pages 79 to 100 of the Financial and Legal Report*

Coverage rate: 100%

7.3. Data verification

Report by one of the Statutory Auditors on a selection of non-financial information disclosed in the management report.

Report by one of the Statutory Auditors on a selection of non-financial information disclosed in the management report.

Year ended 31 December 2019

This is a free translation into English of the Statutory Auditor's 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 standards applicable in France.

To the Executive Management,

Following your request and in our capacity as Statutory Auditor of Société Foncière Lyonnaise, we hereby report to you on selected non-financial information (hereinafter the "Information") from the statement of non-financial performance for the year ended 31 December 2019 (hereinafter the "Statement"), as presented in the Group Management Report.

The Information, selected by the Group, is as follows:
– Occupation surface areas and occupation density;
– Number of assets in use that have been certified and percentage of the portfolio, by surface area, with a Very Good or higher rating;
– Waste generated in tonnes (paper, cardboard and non-hazardous industrial waste);
– Total municipal water use in cu.m and water use intensity in cu.m/sq.m. at constant scope of reporting (common and tenant areas combined);
– Energy use by type of energy and energy use intensity at constant scope of reporting (not climate adjusted);
– Greenhouse gas (GHG) emissions from energy use at constant scope of reporting (not climate adjusted);
– Planted and landscaped surface in sq.m. and % of the portfolio's total footprint.

Responsibility of the Company

The Board of Directors of Société Foncière Lyonnaise is responsible for preparing the selected information, pursuant to the company's procedures and guidelines (hereinafter the "Guidelines"), as summarised in the Management Report and available on request from Executive Management.

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). 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 express a limited assurance conclusion on the Information.

However, it is not our responsibility to provide any conclusion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to anti-corruption and taxation, or on the compliance of products and services with applicable regulations.

Nature and scope of procedures

We performed our work in accordance with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:
– We familiarised ourselves with the Group's business activity, the report on the main non-financial risks relating to this activity, and with the subsequent policies and their results.
– We assessed 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
– We verified that the Information covers the consolidated scope, i.e., all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.
– We assessed the collection process set up by the entity to ensure the completeness and fairness of the Information.
– For the Information, we carried out:
  • analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  • substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities(1) and covered between 11% and 23% of the indicators selected for these tests;
– We consulted documentary sources and conducted interviews to corroborate the Information.
– We assessed the overall consistency of the Statement in relation to our knowledge of the company.

(1) The Louvre Saint-Honoré and Rives de Seine buildings.

Our work engaged the skills of four people in February 2020.

To assist us in conducting our work, we referred to our sustainable development and corporate social responsibility specialists.

We believe that the procedures we have performed, based on our professional judgement, are sufficient to provide a basis for a moderate assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Information presented in the Statement, taken as a whole, is not fairly presented in accordance with the Guidelines.

Comment

Without questioning the conclusion expressed above, we bring to your attention the fact that the Statement mentions in the methodological note that certain Information is consolidated year-on-year from 1 October to 30 September, and not during the financial year, to facilitate data collection.

Paris-La Défense, 26 February 2020
French original signed by one of the Statutory Auditors

Deloitte & Associés
Laure Silvestre-Siaz
Partner

Julien Rivals
Partner, Sustainable Services

13. Appendices

Appendix 13.1 – Board of Directors' special report to the Annual General Meeting of 3 April 2020 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 (*Code de commerce*), we hereby report to shareholders on stock options granted and/or exercised during the year ended 31 December 2019. The last stock option plan expired on 12 March 2015, at the end of the options' eight-year life.

1) Number of stock options granted by SFL or any related companies during 2019 to the Chairman, the Chief Executive Officer or the Managing Director in respect of directorships or corporate functions held in SFL:
none

2) Number of stock options granted during the year to the Chairman, 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:
none

3) Number and exercise price of options on shares in the companies mentioned in 1) and 2) above that were exercised during the year by the Chairman, the Chief Executive Officer or the Managing Director:
none

4) Number, exercise period and exercise price of stock options granted in 2019 by SFL or any related companies to the ten employees of the Company other than the Chief Executive Officer or the Managing Director who received the greatest number of options:
none

5) Number and exercise price of options on shares in the companies mentioned in 1) and 2) above that were exercised during the year by the ten employees of the Company other than the Chief Executive Officer or the Managing Director who received the greatest number of options:
none

6) Number, exercise price and exercise period of stock options granted in 2019 by the companies mentioned in 1) and 2) above to all eligible employees:
none

The Board of Directors

Appendix 13.2 – Board of Directors' special report to the Annual General Meeting of 3 April 2020 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 of the French Commercial Code, we hereby present our 2019 report to shareholders on performance share plans for employees and executives who do not hold over 10% of the Company's capital.

At its meeting held immediately after the Annual General Meeting of 20 April 2018, the Board of Directors decided to use the authorisation given in the 2nd extraordinary resolution of that Meeting to set up Performance Share Plan 5. The Board also adopted the plan's rules, which apply to all performance share grants that may be decided by the Board pursuant to this authorisation.

At its meeting on 15 February 2019, based on the recommendation issued by the Remuneration and Selection Committee following its meeting of 6 February 2019 and by a unanimous vote, the Board drew up the list of Plan 5 performance share recipients for 2019 and decided that the performance share rights would be granted on 15 February 2019.

The Plan 5 Rules are as follows:

1. Framework for the performance share plan

1.1 Authorisation given by the Annual General Meeting of 20 April 2018 (2nd extraordinary resolution)

At the General Meeting of 20 April 2018, 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 granted to selected employees or corporate officers (*mandataires sociaux*) of the Company or of related entities within the meaning of Article L.225-197-2 of said Code. The total number of performance shares granted may not exceed 1% of the number of SFL shares outstanding on the Meeting date and performance shares granted to corporate officers may not exceed 0.5%.

1.2 Adoption of the Plan rules and decision to grant performance share rights

• Adoption of the Plan rules by the Board of Directors on 20 April 2018

In line with the authorisation given by the Annual General Meeting of 20 April 2018, at its meeting on the same day the Board of Directors adopted the Performance Share Plan rules (Plan 5).

• Performance share grants decided by the Board of Directors on 15 February 2019

At its meeting on 15 February 2019, the Board of Directors decided to grant 65,896 performance share rights under Plan 5 to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives as a long-term incentive bonus, and to certain other categories of employees of the Company or of related companies or groupings within the meaning of Article L.225-197-2 of the French Commercial Code.

• Performance shares granted to the Chairman, the Chief Executive Officer and the Managing Director in 2019

Of the total 65,896 rights, 42,000 were granted to corporate officers, including 20,000 to Nicolas Reynaud, Chief Executive Officer, 16,000 to Dimitri Boulte, Managing Director, and 6,000 to Juan José Brugera Clavero, Chairman of the Board of Directors.

	Nicolas Reynaud	Dimitri Boulte	Juan José Brugera Clavero
Performance shares granted by the Company to corporate officers in 2019	Maximum number: 20,000 Target number: 10,000 Value*: €540,000	Maximum number: 16,000 Target number: 8,000 Value*: €432,000	Maximum number: 6,000 Target number: 3,000 Value*: €162,000

* The value of the performance shares has been calculated using the binomial model and corresponds to the number of shares expected to vest multiplied by the fair value per share. The binomial model uses the following inputs: option exercise price, underlying share price, expected dividend on the shares, risk-free interest rate for the period corresponding to the life of the option, expected option price volatility, number of forfeited options, capital dilution, expected life of the option, earnings targets and lock-up discount. Based on the model assumptions, the fair value of the performance shares granted on 15 February 2019 is €54.00.

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

*** Performance share rights granted to the ten employees other than corporate officers who received the greatest number of rights**

Grantee	Maximum number of performance shares	Target number of performance shares	Value of performance shares
François Sebillotte	5,000	2,500	135,000
Fabienne Boileau	2,400	1,200	64,800
Pierre-Yves Bonnaud	2,400	1,200	64,800
François Derrian	2,400	1,200	64,800
Aude Grant	2,400	1,200	64,800
Eric Oudard	2,400	1,200	64,800
Thierry Buhot	800	400	21,600
Emilie Germane	800	400	21,600
Fabrice Ruchaud	800	400	21,600
Nicolas Tennevet	800	400	21,600

- **Performance shares granted to employees in 2019**

Category of grantees	Number of grantees	Maximum number of performance shares	Number of performance shares	Value of performance shares
Management Committee member	6	17,000	8,500	459,000
Category 3 and 4 executives	11	4,704	2,352	127,008
Category 1 and 2 executives	34	2,192	1,096	59,184

2. Characteristics of the 2018 performance share plan

2.1. Purpose of the performance share grants

The main purpose of Plan 5 was to set up a profit-related long-term incentive plan for the Chairman, Chief Executive Officer, Managing Director and certain senior executives that the Company is particularly interested in incentivising. The Plan's scope was extended to include certain other 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 granted by the Board of Directors on 15 February 2019 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 grant date (i.e., for Plan 5, the year ending 31 December 2021).

- Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable.

However, this rule is waived if the grantee's departure is due to certain events that are beyond his or her control.

In addition, the Board of Directors may decide, on a case-by-case basis, to allow the performance shares to vest even if the grantee is no longer an employee or corporate officer on the vesting date.

- 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 net asset value (NAV) per share over the vesting period, 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 applicable on the date when Plan 5 was adopted, 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 granted 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.

Lastly, under the new provisions of Article L.225-197-1 of the French Commercial Code (as amended by the Act of 19 July 2019 simplifying, clarifying and updating French company law), performance shares granted to both corporate officers and employees may not be sold:
– during the 30 calendar days preceding the announcement by the Company of the publication of its interim or annual financial report; and
– if the recipient of the shares holds inside information that has not been made public.

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 5, an application will be made for the shares to be admitted to trading on Euronext Paris in compartment A.

The Board of Directors

Appendix 13.3 – Five-year financial summary (parent company, in €)

(prepared in accordance with Article R.225-102 of the French Commercial Code)

	2015	2016	2017	2018	2019
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	69,540,212	87,735,720	101,421,937	107,699,004	108,128,662
Profit before tax, depreciation, amortisation and provisions	6,448,213	32,971,796	317,127,680	67,271,823	94,349,806
Income tax expense/(benefit)	(15,000)	15,528,992	(48,294)	(4,466)	(45,000)
Profit/(loss) after tax, before depreciation, amortisation and provisions	(26,718,556)	(30,278,521)	272,390,385	22,245,051	58,206,015
Ordinary dividend[1]	48,855,423	48,855,423	107,016,640	123,301,781	123,301,781
Special distributions[1]	48,855,423	48,855,423	–	–	–
III. Per share data					
Earnings after tax, before depreciation, amortisation and provisions	0.14	0.37	6.82	1.45	2.03
Earnings/(loss) after tax, before depreciation, amortisation and provisions	(0.57)	(0.65)	5.85	0.48	1.25
Ordinary dividend	1.05	1.05	2.30	2.65	2.65
Special distribution	1.05	1.05	–	–	–
IV. Employee data					
Average number of employees	64	65	65	59	60
Of which building staff	*2*	*2*	*2*	*2*	*2*
Total payroll	9,018,126	8,226,252	8,812,127	9,410,685	10,829,216
Total employer contributions	3,247,869	3,319,907	3,874,699	3,414,252	3,573,264

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

Appendix 13.4 – Board of Directors' Corporate Governance Report (prepared in accordance with Article L.225-37, paragraph 6, of the French Commercial Code)

In compliance with Article L.225-37.6, of the French Commercial Code, we hereby present our report on the composition and procedures of the Board of Directors and its Committees, the changes that took place in 2019, the Board's diversity policy and the Board's practices. It also describes the restrictions on executive management's powers decided by the Board of Directors. In addition, it provides details of (i) the remuneration policy applicable to the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Director, (ii) the total remuneration and benefits paid to the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Director in 2019 or awarded to them for that year, and (iii) the fixed, variable and special components of the remuneration and benefits granted to the Chairman of the Board of Directors and the Chief Executive Officer.

This report covers the period from 1 January to 31 December 2019. It was approved by the Board of Directors on 6 February 2020.

1. Reference to the AFEP-MEDEF Code

In matters of corporate governance, the Company refers to the AFEP-MEDEF Corporate Governance Code for listed companies, as revised in January 2020 ("the AFEP-MEDEF Code").

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

Since 30 October 2017, SFL has been rated BBB+ by Standard & Poor's (versus BBB previously), with a stable outlook.

The following table summarises the provisions of the AFEP-MEDEF Code with which the Company is not in full compliance. (Situation at 31 December 2019)

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2019	Rationale
Proportion of independent directors on the Board	At least one-third of directors on the boards of controlled companies should be independent (Art. 9.3)	Three of the 14 directors are independent, representing 21%.	Board membership reflects the direct involvement of the majority shareholder and the minority shareholder in its deliberations. Of the 14 directors, eight were elected on the recommendation of the Company's majority shareholder, Colonial, two were elected on the recommendation of the current minority shareholder, Predica, and one was elected on 13 November 2015 on the recommendation of the other minority shareholder at the time. This shareholder sold all of its SFL shares to Colonial in November 2018 and simultaneously increased its stake in Colonial, such that it is now a significant shareholder of Colonial (20%). On 15 February 2019, the Board of Directors appointed a new independent director, to replace an independent director who had resigned. The proportion of independent directors therefore remains at 21%.
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. 9.5.6)	One director who has served on the Board for more than 12 years (Anthony Wyand) is considered by the Board as independent.	When reviewing the situation of Anthony Wyand, the Board considered that the fact that he had served on the Board for more than 12 years did not compromise his ability to freely exercise his judgement, due to the absence of any financial or business ties with the Company and his personal moral authority. The Board considers that professional experience and an objective perspective on the Company's business represent key criteria 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 four Audit Committee members is independent.	The Audit Committee's membership is linked to that of the Board of Directors, which comprises only three independent directors. Nevertheless, the Board is keeping the issue of its committees' membership under review, while taking into account the Company's specific features.

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2019	Rationale
Ownership of company shares by directors in relation to their remuneration	Directors should be shareholders personally and hold a fairly significant number of shares in relation to their remuneration as directors; if they do not hold these shares when assuming office, they should use their remuneration as directors to acquire them (Art. 20)	Some directors only own 25 shares, representing the minimum number required by the Company's Articles of Association.	Apart from the independent directors, all Board members were put forward as candidates by shareholders who hold, or held on the date the candidate was elected, a significant interest in the Company. For this reason, the Board considers that it would not be appropriate to require them to hold a significant number of shares.
Quantifiable criteria used to determine the bonuses of the Chief Executive Officer and the Managing Director	Quantifiable criteria must account for the largest share of the bonuses of the Chief Executive Officer and the Managing Director (Art. 25.3.2)	The bonuses are based on qualitative and quantitative criteria in equal proportions.	Concerning the requirement for the qualitative criteria to be suited to the Company's strategy, the Board considered that it would not be appropriate to base the largest share of the bonuses of the Chief Executive Officer and the Managing Director on quantifiable objectives. Nevertheless, if performance in relation to the quantifiable objectives qualifies the Chief Executive Officer or the Managing Director for the maximum bonus, the proportion of their remuneration determined on the basis of quantifiable criteria will be 63% versus 37% for the qualitative criteria (see pages 110 and 111 for details of the calculation method).
Annual debate by the Board of its operation	Once a year, the Board should debate its operation (Art. 10.3)	A discussion of the Board of Directors' operation was not included on the agenda of any of the Board meetings held in 2019.	In 2017, an assessment of the Board's practices was performed by an external firm of consultants based on a questionnaire given to directors. The results of the assessment were presented to the Board at its meeting on 19 December 2017.
Directors' remuneration	The directors' remuneration 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)	Directors' remuneration includes a fixed annual amount (with a higher amount payable to members of Board Committees, the Chairman of the Board and the Committee Chairmen) and a variable amount (based on the directors' attendance rate at meetings of the Board and its Committees).	The variable remuneration's preponderance over the fixed remuneration depends on the number of meetings of the Board and its Committees held during the year. In 2019, due to the number of meetings held during the year, it was not possible for the directors' variable remuneration to be greater than their fixed remuneration. The remuneration paid to the directors in respect of 2019 represented 74% of the total annual remuneration awarded to the Board by the Annual General Meeting of 28 April 2017.

2. Executive management and the Management Committee as of 31 December 2019

2.1. Executive management organisation – separation of the positions of Chairman of the Board of Directors and Chief Executive Officer

Since the Board meeting of 27 January 2015 at which the decision was made to separate the positions of Chairman and Chief Executive Officer, as recommended by the Remuneration and Selection Committee, Juan José Brugera Clavero has served as Chairman of the Board of Directors, Nicolas Reynaud as Chief Executive Officer and Dimitri Boulte as Managing Director.

Juan José Brugera Clavero's appointment as Chairman was confirmed by the Board on 5 April 2019 for a further year, following his re-election as a director for a three-year term by the Annual General Meeting held on the same day.

He will once again stand for re-election at the Annual General Meeting on 3 April 2020. Provided Juan José Brugera Clavero is re-elected by shareholders, the Board of Directors intends to confirm his appointment as Chairman at the meeting held immediately after the Annual General Meeting.

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.

2.2. Directorships and other positions held by the Chief Executive Officer and the Managing Director as of 31 December 2019

The positions and directorships held as of 31 December 2019 by Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director, are presented below.

The positions and directorships held as of 31 December 2019 by the Chairman of the Board of Directors and the other directors are presented in section 3.8 below.

- **Nicolas Reynaud, Chief Executive Officer**
  Business address:
  42 rue Washington,
  75008 Paris (France)
  Directorships and other positions held in 2019:
  In France – SFL Group
  – Chief Executive Officer: Société Foncière Lyonnaise (SA)
  – Chairman and Chief Executive Officer: Segpim (SA)
  – Chief Executive Officer: Parholding (SAS)
  – Member: Parholding Shareholders' Committee, representing SFL
  – Director representing SFL on the Management Board of SCI Washington
  Other directorships and positions held in the past five years (SFL):
  – Managing Director: Société Foncière Lyonnaise (until 27 January 2015)
  – Chief Financial Officer: Société Foncière Lyonnaise (until 27 January 2015)

- **Dimitri Boulte, Managing Director**
  Business address:
  42 rue Washington,
  75008 Paris (France)
  Directorships and other positions held in 2019:
  In France – SFL Group
  – Chief Operating Officer: SFL
  – Chief Executive Officer: Locaparis (SAS)
  – Director: Segpim (SA)
  – Member: Parholding Shareholders' Committee, representing SFL
  – Director representing SFL on the Management Board of SCI Washington
  Other directorships and positions held in the past five years:
  – None

2.3. 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 French Commercial Code, the Board of Directors' prior approval must be obtained for the issuance of all forms of guarantee.

However, in accordance with Article R.225-28 of the French Commercial Code, at its meeting on 15 February 2019 the Board authorised the Chief Executive Officer (or any person to whom the Chief Executive Officer's powers are delegated) to issue bonds and other guarantees in the Company's name, covering the same period as the underlying commitment:
– for an aggregate amount of €500,000;
– for an unrestricted amount in the case of tax and customs bonds.

This authorisation has been given for a period of one year, at the end of which the Chief Executive Officer is required to report to the Board of Directors on the commitments given pursuant to the authorisation.

In addition, an internal restriction – specified in the Board of Directors' internal rules – 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.

2.4. Members of the Management Committee as of 31 December 2019

The members of the Management Committee as of 31 December 2019 were as follows:

- Nicolas Reynaud: Chief Executive Officer
- Dimitri Boulte: Managing Director, Chief Operating Officer
- François Sebillotte: Chief Resources Officer, Secretary to the Board
- Fabienne Boileau: Chief Financial Officer
- Pierre-Yves Bonnaud: Asset Management and Client Management Director
- François Derrian: Human Resources Director
- Aude Grant: Deputy Managing Director – Asset Management and Investments
- Éric Oudard: Technical and Development Director

Emilie Germane, Legal Director, became a member of the Management Committee on 1 January 2020

Nicolas Reynaud (58), Chief Executive Officer
Nicolas Reynaud 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 as SFL's 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.

Dimitri Boulte (42), Managing Director, Chief Operating Officer
Dimitri Boulte joined SFL in 2011 as Deputy Managing Director and Chief Operating Officer with overall responsibility for operations (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 (2004-2006) Office Division Development Manager (2006-2007) and Development Director for Large Urban Projects (2008-2011). He also played a role in creating and developing the Real Estate Chair at HEC where he was a lecturer. He was appointed as SFL's Managing Director by the Board of Directors on 27 January 2015.

François Sebillotte (64), Chief Resources Officer, Secretary to the Board
François Sebillotte began his career in 1982 with law firm KPMG Fidal. In 1987, he joined business guide publisher Éditions Liaisons as Director of Legal Affairs. In 1992, he moved to investment fund Unigrains, where he served as Director of Legal Affairs and member of the Management Committee, until joining SFL. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA.

François Sebillotte has served as SFL's Chief Resources Officer since 2001 and Secretary to the Board since 2011.

Fabienne Boileau (52), Chief Financial Officer
Fabienne Boileau is 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. Prior to her appointment as SFL's Chief Financial Officer on 27 January 2015, she held the position of Management Control and Budget Manager.

François Derrian (50), Human Resources Director
François Derrian is 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 (38), Deputy Managing Director – Asset Management and Investments
After graduating from HEC business school, Aude Grant 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. She joined SFL in 2014 as Transactions and Business Strategy Director and was appointed Deputy Managing Director in 2016.

Pierre-Yves Bonnaud (42), Asset Management and Client Management Director
Pierre-Yves Bonnaud is a graduate of the ESTP Cachan engineering school and holds a Master's degree from ESSEC Business School. He began his career with CBRE Investors as a financial analyst and asset manager, before joining Mercialys, a subsidiary of the Casino Group, in 2006. He moved to Immobilière Casino in 2011, where he served as Major Project Director then Property Acquisitions and Sales Director, before returning to Mercialys in 2014 as Asset Management and Enhancement Director. Pierre-Yves Bonnaud joined SFL as Asset Management and Client Management Director in 2016.

Eric Oudard (51), Technical and Development Director
Eric Oudard 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 Immobilière Groupe, Casino, Pierre et Vacances and Luminatis. He joined SFL's Management Committee as Technical and Development Director in 2014.

Emilie Germane (43), Legal Director
Emilie Germane is a graduate of ESSEC business school and has a master's degree and DESS degree in business law. She became a member of the Paris bar in 2004. Between 2004 and 2009, she worked for property law specialists Lefèvre Pelletier & Associés and Lacourte Balas & Associés. She then took up a position in the Legal Department of Club Méditerranée's Development, Assets and Construction Division. In early 2016, she joined SFL's Legal Department, becoming Legal Director and, since 1 January 2020, member of the Management Committee.

Gender balance

SFL has had a stable representation of men and women on its Management Committee for several years. As of 31 December 2019, two of the eight Management Committee members were women (25%). One is the Company's Chief Financial Officer and the other holds the position of Deputy Managing Director – Asset Management and Investments.

The Company has only a limited number of employees and the 10% of positions with decision-making responsibilities are all held by members of the Management Committee.

3. The Board of Directors

3.1. Members of the Board of Directors as of 31 December 2019

Article 15 of the Articles of Association states that the Board of Directors shall have between three and 16 members.

As of 31 December 2019, the Board of Directors had 14 members, unchanged from 31 December 2018.

At its meeting on 15 February 2019, the Board of Directors decided to appoint Alexandra Rocca as an independent director to replace Sylvia Desazars de Montgailhard, who had resigned on 20 January 2019. The appointment was ratified by the Annual General Meeting held on 5 April 2019.

The Board of Directors breaks down as follows:
– Eight directors elected on the recommendation of the majority shareholder, Inmobiliaria Colonial, SOCIMI, SA:
  - Juan José Brugera Clavero (Chairman of the Board of Directors)
  - Angels Arderiu Ibars
  - Carlos Fernandez-Lerga Garralda
  - Carmina Ganyet i Cirera
  - Carlos Krohmer
  - Luis Maluquer Trepat
  - Nuria Oferil Coll
  - Pere Viñolas Serra

– Two directors elected on the recommendation of Predica:
  - Jean-Jacques Duchamp
  - Chantal du Rivau

– One director elected on the recommendation of Qatar Holding LLC and DIC Holding LLC (acting in concert)(1):
  - Ali Bin Jassim Al Thani

– Three independent directors:
  - Arielle Malard de Rothschild
  - Alexandra Rocca
  - Anthony Wyand

3.2. Board of Directors' diversity policy

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.

(1) In a letter to the Company dated 14 November 2018 (sent by registered mail with return receipt requested), Qatar Holding LLC and DIC Holding LLC (acting in concert) disclosed that they had entered into an agreement with Colonial on 15 October 2018, subject to certain conditions precedent, and had sold all of their SFL shares to SFL's majority shareholder with effect from 12 November 2018 (see "Changes in interests disclosed to the Company in 2018" on page 29 of the Management Report).

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.

As of 31 December 2019, three directors were aged 70 and over, seven were aged between 56 and 69, and four were under 55.

The qualifications and professional experience of each director are presented on pages 85 *et seq.* of this report.

The Board of Directors endeavours to diversify its membership in terms of nationality, international experience, skills and gender balance.

Of the 14 members of the Board of Directors, six are women. At 43%, the proportion of women on the Board as of 31 December 2019 was in line with Article L.225-18-1 of the French Commercial Code (as amended by Law 2019-486, art. 189, dated 22 May 2019).

The woman independent director who resigned during 2019 was replaced by another woman who also qualifies as independent. As a result, the Board still comprises six women and three independent directors.

The Company aims to maintain this situation in 2020. If a seat on the Board were to become vacant during the year, the choice of candidate to fill the vacant seat would reflect the Company's diversity objectives.

The number of directors and the capabilities, skills and expertise represented on the Board are aligned with the Company's current needs. They contribute to the Board's efficient organisation and practices, by fostering constructive discussions and decisions that underpin the Company's sustainable growth.

To contribute to the Board's diversity, when a seat on the Board falls vacant or it is necessary or desirable to appoint a new director, the Remuneration and Selection Committee is tasked with reviewing candidates' files and interviewing the short-listed candidates. The Committee presents the results of its review to the Board of Directors, based on the skills, capabilities and expertise, age and gender of candidate(s) assessed as being qualified to contribute their knowledge and experience to the Company. The Committee also takes legal and regulatory considerations into account, such as the requirement to have a certain proportion of independent and women directors, and the statutory age limit for serving on a company's board. The Board then decides to appoint a new director subject to ratification at the next General Meeting, or to propose the candidate for election at the next General Meeting, as appropriate.

The Board of Directors does not include any directors 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 (as amended by Law 2019-486 dated 22 May 2019).

In accordance with the French Labour Code (*Code du travail*), two members of the Works Council attend meetings of the Board of Directors with a consultative vote.

3.3. Changes in the membership of the Board of Directors and the Board Committees during 2019 – Situation as of 31 December 2019

	Re-elected	Elected/appointed	Resigned
Board of Directors	Arielle Malard de Rothschild 5 April 2019 Chantal du Rivau 5 April 2019 Juan José Brugera Clavero 5 April 2019 Jean-Jacques Duchamp 5 April 2019 Carlos Fernandez Lerga Garralda 5 April 2019 Pere Viñolas Serra 5 April 2019 Anthony Wyand 5 April 2019	Alexandra Rocca 15 February 2019	Sylvia Desazars de Montgailhard 20 January 2019
Audit Committee	–	–	–
Remuneration and Selection Committee	–	–	–
Committee of Independent Directors	–	Alexandra Rocca 15 February 2019	Sylvia Desazars de Montgailhard 20 January 2019
Executive and Strategy Committee	–	–	–

3.4. Candidates proposed for re-election to the Board at the Annual General Meeting of 3 April 2020

The terms of the following directors will expire at the Annual General Meeting called to approve the 2019 financial statements: Alexandra Rocca, Carmina Ganyet i Cirera, Juan José Brugera Clavero, Carlos Krohmer, Luis Maluquer Trepat and Anthony Wyand.

Shareholders are asked to re-elect Alexandra Rocca, Carmina Ganyet i Cirera, Carlos Krohmer and Luis Maluquer Trepat 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 2022. Shareholders are also invited to re-elect Juan José Brugera Clavero 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 2020.

In accordance with the Articles of Association, Juan José Brugera Clavero 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 standard three-year terms.

Alexandra Rocca, Carmina Ganyet i Cirera, Juan José Brugera Clavero, Carlos Krohmer, Luis Maluquer Trepat and Anthony Wyand have all confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

Re-election of these directors will be put to the vote at the Annual General Meeting to be held on 3 April 2020.

3.5. Independent directors

According to the AFEP-MEDEF Code, a director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management that may interfere with his or her freedom of judgement. Accordingly, an independent director is understood to be any non-executive director of the Company or the Group who has no particular bonds of interest (significant shareholder, employee, other) with them.

The AFEP-MEDEF Code lists the criteria to be applied by the Remuneration and Selection Committee and the Board of Directors to determine whether a director is independent and to prevent conflicts of interest between the director, on the one hand, and the management, the Company or the Group on the other. In particular:

– Not to be and not to have been during the course of the previous five years:
  - an employee or corporate officer of the Company,
  - an employee, corporate officer of a company or a director of a company consolidated within the Company,
  - an employee, corporate officer or a director of the Company's parent company or a company consolidated within this parent company;
– Not to be a corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the Company (currently in office or having held such office during the last five years) holds a directorship;
– Not to be a customer, supplier, commercial banker, investment banker or consultant:
  - that is significant to the Company or its Group,
  - or for which the Company or the Group represents a significant portion of its activity.

The evaluation of the significant or non-significant relationship with the Company or its Group must be debated by the Board and the quantitative criteria that lead to the evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the corporate governance report.
– Not to be related by close family ties to a corporate officer;
– Not to have been an auditor of the Company within the previous five years.
– Not to have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date at which this period of 12 years is reached.

A non-executive officer cannot be considered independent if he or she receives variable remuneration in cash or in the form of shares or any remuneration linked to the performance of the Company or the Group.

Directors representing major shareholders of the Company or its parent company may be considered independent, provided these shareholders do not take part in the control of the Company. Nevertheless, beyond a 10% threshold in capital or voting rights, the Board, upon a report from the nominations committee, should systematically review the qualification of a director as independent in the light of the make-up of the Company's capital and the existence of a potential conflict of 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, in the case of Anthony Wyand.

As reflected in the table on page 79, the Board considers that professional experience and an objective perspective on the Company's business represent key criteria for determining a director's independence. When reviewing the situation of Anthony Wyand, the Board considered that the fact that he had served on the Board for more than 12 years did not compromise his ability to freely exercise his judgement, due to the absence of any financial or business ties with the Company and his personal moral authority.

Based on the above criteria and the opinion of the Remuneration and Selection Committee, the Board of Directors considers that three directors qualify as independent:
– Alexandra Rocca(1)
– Arielle Malard de Rothschild
– Anthony Wyand

(1) Sylvia Desazars de Montgailhard resigned from the Board on 20 January 2019 and was replaced by Alexandra Rocca at the Board of Directors' meeting held on 15 February 2019, subject to shareholder ratification of her appointment. This appointment was ratified at the Annual General Meeting of 5 April 2019.

At the meeting on 15 February 2019, the Board of Directors decided, on the recommendation of the Remuneration and Selection Committee, that Alexandra Rocca fulfilled all the criteria in the AFEP-MEDEF Code allowing her to be qualified as independent.

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

Table summarising the independent directors' compliance with the above independence criteria

Independence criteria	Compliance		
	Arielle Malard de Rothschild	Alexandra Rocca	Anthony Wyand
Criterion 1: Employee or corporate officer in the previous five years Not to be and not to have been during the course of the previous five years:			
– an employee or corporate officer of the Company	√	√	√
– an employee, corporate officer of a company or a director of a company consolidated within the Company	√	√	√
– an employee, corporate officer or a director of the Company's parent company or a company consolidated within this parent	√	√	√
Criterion 2: Cross-directorships Not to be a corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the Company (currently in office or having held such office during the last five years) holds a directorship	√	√	√
Criterion 3: Material business relationships Not to be a customer, supplier, commercial banker, investment banker or consultant:			
– that is material to the Company or its Group	√	√	√
– or for which the Company or the Group represents a significant portion of its activity	√	√	√
Criterion 4: Family ties Not to be related by close family ties to a corporate officer	√	√	√
Criterion 5: Statutory Auditors Not to have been an auditor of the Company within the previous five years	√	√	√
Criterion 6: More than 12 years served on the Board Not to have been a director of the Company for more than 12 years. Loss of the status of independent director occurs on the date at which this period of 12 years is reached	√	√	X(1)
Criterion 7: Non-executive officer Not to have received variable remuneration in cash or in the form of shares or any remuneration linked to the performance of the Company or the Group	√	√	√
Criterion 8: Major shareholder Directors representing major shareholders of the Company or its parent company may do not be considered independent, provided that these shareholders do not exercise control of the Company. Nevertheless, beyond a 10% threshold in capital or voting rights, the Board, upon a report from the nominations committee, should systematically review the qualification of a director as independent in the light of the make-up of the Company's capital and the existence of a potential conflict of interest	√	√	√

(1) See also the table on page 79 and the above section 3.5 (previous page) concerning the non-application to one of the independent directors of the criterion concerning time served on the Board.

3.6. Experience and expertise represented on the Board of Directors at 31 December 2019

Juan José Brugera Clavero studied industrial engineering at the Terrassa EUITI 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 until 1970. 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 (1987-1994) and served in the same position at Inmobiliaria Colonial SA (now Inmobiliaria Colonial, SOCIMI, SA) (1994-2006) and at Mutua Madrilena (2006-2007). He was also a director of SFL from 2004 to 2006 and Chairman of Panrico from 2007 to 2010. He has been Chairman of Inmobiliaria Colonial, SOCIMI, SA 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 has spent over 30 years working for the Qatari government, primarily in the areas of commerce, finance and real estate. He has been a strategy and investment consultant since 2007. He served as Vice Chairman, member of the Board of Directors and member of the Executive Committee of Housing Bank for Trade and Finance of Jordan (Jordan's second largest bank) from 1995 to 2016. He is currently Chairman of the Board of Directors of Libyan Qatari Bank (LQB) and Qatar General Insurance & Reinsurance Co. He is also a member of the Supervisory Board of Hapag-Lloyd AG and has been a director of Inmobiliaria Colonial, SOCIMI, SA (Spain) since 2015.

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. After spending the first nine years of her career with an audit firm, she joined Inmobiliaria Colonial (now Inmobiliaria Colonial, SOCIMI, SA) in March 1999 as Chief Accountant, becoming Chief Financial Officer and member of the Executive Committee in January 2009.

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. He has been deputy Chief Executive Officer of Crédit Agricole Assurance and member of the Executive Committee since 2004.

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 currently sits on the Boards of several OPCI real estate funds.

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. A former professor at Madrid University, he has written several books on competition law and intellectual property law. He is a member of the Board of Directors of Inmobiliaria Colonial, SOCIMI, SA and several other Spanish companies.

Carmina Ganyet i Cirera, a trained economist, 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 holding company (now Criteria Caixa) as head of Investments and Budget Control within the Finance, Insurance and Property Department, a position that led her to participate in the Inmobiliaria Colonial IPO process. 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. In 2000, she was appointed Chief Financial Officer of Inmobiliaria Colonial, SA (now Inmobiliaria Colonial, SOCIMI, SA) before becoming Corporate Managing Director in January 2009.

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. Carlos Krohmer began his career with the Unilever Group in Hamburg (Germany), where he held a variety of management positions in the Budget Control and Finance departments. In 1999, he was appointed Head of Management Reporting and Budget Control at Unilever Bestfoods in Germany. In 2001, he joined the Corporate Development Department of Criteria CaixaHolding, a subsidiary of Grupo La Caixa (Spain), serving as Head of Real Estate Investments and becoming Senior Project Manager for Criteria CaixaHolding's IPO. He was a director of Holret SA, Criteria's French real estate subsidiary, until 2008. Carlos Krohmer lectured in corporate finance at the La Salle Business Engineering School in Barcelona until 2010. Since January 2009, he has been Development Director and member of the Management Committee of Inmobiliaria Colonial, SOCIMI, SA.

Arielle Malard de Rothschild has been an independent director of SFL since 26 July 2018.
She holds an economics doctorate from Institut d'Etudes Politiques de Paris (Sciences Po) and a DEA post-graduate degree in Currency, Banking and Finance from Paris II-Assas University. In 1989, she joined Lazard Frères & Co as a member of the foreign government advisory team. Ten years later, she set up Rothschild Conseil International, a firm of emerging market financial advisors, and became its deputy Chief Executive Officer. In 2006, she became Managing Director of Rothschild & Cie and in 2019, Global Advisory Partner of Rothschild & Co. She is also a member of the Supervisory Board and Risk Committee of Rothschild & Co. (SCA) and a director of Groupe Lucien Barrière (SAS).

Luis Maluquer Trepat has degrees in law (Barcelona University) and international institutions (Geneva University). He headed BNP Paribas' external law firm in Barcelona from 1980 to 1992 and Caisse Nationale du Crédit Agricole's external law firm in Barcelona from 1992 to 1998. He has been a lawyer and partner of the Maluquer Advocats law firm since 1995, serving as a Managing Partner until November 2016. He has represented Spain on the Board of the European Society for Banking and Financial Law since 2000. He has been a director of Inmobiliaria Colonial, SOCIMI, SA since 2013 and is also a member of its Remuneration and Selection Committee and Audit Committee. He also sits on the Boards of several Spanish companies.

Nuria Oferil Coll has a law degree from Barcelona University and an MBA from Ramon Llull University's ESADE business school. After beginning her career in 1998 as an associate in the Roca Junyent law firm in Spain, within the private law department, in 2004, she joined the Legal Department of Inmobiliaria Colonial, SOCIMI, SA. Since 2010, she has been the Director of the Legal Department, a member of the Executive Committee, and Vice Secretary of the Board of Directors.

Alexandra Rocca has been an independent director of SFL since 15 February 2019. A graduate of the HEC business school and the Sciences Po Paris political science school, she began her career with the Printemps Group (1986-1990). She then spent eleven years with the Air Liquide Group (1990-2001), where she notably served as Head of Communications. She was also Communications Director at Galeries Lafayette (2001-2005). She held the same position at LCL (2005-2008), Crédit Agricole Group (2008-2010), Lafarge Group (2010-2015) and Sanofi (2015-2018). Since July 2018, she has been Vice President, Communications at Air Liquide.

Pere Viñolas Serra is a graduate of the Polytechnic University of Catalonia and 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. From 1994 until 2000, he also served as Chairman of the Barcelona-based Catalonian Financial Analysts Institute, as well as Chairman of the Urban Land Institute in Spain. He is currently a professor in the Finance Department of ESADE and sits on the Boards of several Spanish companies. Since 2008, he has been Chief Executive Officer and Vice Chairman of Inmobiliaria Colonial, SOCIMI, SA.

Anthony Wyand is an honorary Chairman and independent director of SFL. He has held various positions throughout 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 Chairman of the Board of Directors of Cybele Asset Management.

3.7. Experience and expertise represented on the Board of Directors at 31 December 2019

		Personal information				Experience
		Age	Gender	Nationality	Number of shares	Directorships of listed companies
Juan José Brugera Clavero (Chairman of the Board of Directors)		73	M	Spanish	20,275	2
Directors	Ali Bin Jassim Al Thani	60	M	Qatari	25	1
	Angels Arderiu Ibars	53	F	Spanish	25	1
	Chantal du Rivau	64	F	French	30	2
	Jean-Jacques Duchamp	65	M	French	25	3
	Carlos Fernandez-Lerga Garralda	70	M	Spanish	50	2
	Carmina Ganyet i Cirera	51	F	Spanish	30	2
	Carlos Krohmer	48	M	German	30	1
	Arielle Malard de Rothschild	56	F	French	25	2
	Luis Maluquer Trepat	64	M	Spanish	400	2
	Nuria Oferil Coll	45	F	Spanish	25	1
	Alexandra Rocca	59	F	French	150	1
	Pere Viñolas Serra	57	M	Spanish	5,325	2
	Anthony Wyand	76	M	British	100	1

* C: Chairman – M: Member

3.8. Directors' profiles, experience and expertise

Juan José Brugera Clavero

(Chairman of the Board of Directors)

- **Main areas of expertise and experience**
  (see page 85)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Chairman of the Board of Directors
    - Chairman of the Executive and Strategy Committee
  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
    - Chairman of the Board of Directors and Chairman of the Executive and Strategy Committee of Inmobiliaria Colonial, SOCIMI, SA – *listed company (Spain)*
- **Other directorships and positions held in the past five years**
  – Member of the Remuneration and Selection Committee (SFL)

Sheikh Ali Bin Jassim Al Thani

- **Main areas of expertise and experience**
  (see page 86)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director
  – Directorships and positions – Outside the SFL Group:

  In France:
  - Chairman of the Board of Directors:
    - Eagle SPPICAV (SAS)
    - 52 Capital (SA)
    - Diamond SPPICAV (SAS)
  - Chairman of the Board of Directors and Chief Executive Officer of Elypont (SA)

  Outside France:
  - Chairman:
    - Qatar General Insurance & Reinsurance Co (Qatar)
    - Libyan Qatari Bank (LQB)
  - Member of the Supervisory Board of Hapag-Lloyd AG
  - Director of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*

Position on the Board				Membership of Board Committees*			
Independence	First elected	Current term expires	Years served on the Board	Audit Committee	Remuneration and Selection Committee	Executive and Strategy Committee	Committee of Independent Directors
No	23 July 2008	2020 AGM	11.5 years	–	–	C	–
No	13 Nov. 2015	2021 AGM	4.5 years	–	–	–	–
No	4 March 2014	2021 AGM	6.0 years	–	–	–	
No	28 May 2014	2022 AGM	5.5 years	–	–	–	–
No	25 Nov. 2004	2022 AGM	15.5 years	M	–	M	–
No	23 July 2008	2022 AGM	11.5 years	C	–	–	–
No	20 July 2009	2020 AGM	10.5 years	M	–	M	–
No	24 April 2014	2020 AGM	6.0 years	–	–	–	–
Yes	26 July 2018	2022 AGM	1.5 years	M	M	–	M
No	11 June 2010	2020 AGM	9.5 years	–	–	–	–
No	13 Nov. 2015	2021 AGM	4.5 years	–	–	–	–
Yes	15 February 2019	2020 AGM	1.0 years	–	–	–	M
No	23 July 2008	2022 AGM	11.5 years	–	M	M	–
Yes	21 March 1995	2020 AGM	25.0 years	–	C	–	M

- **Other directorships and positions held in the past five years**
  – Vice Chairman of Housing Bank of Trade and Finance (HBTF)
  – Director:
    - United Arab Shipping (Dubai)
    - Qatar Abu Dhabi Investment Company
  – Chairman and Chief Executive Officer of Qatar Navigation QPSC (Qatar)

Angels Arderiu Ibars

- **Main areas of expertise and experience**
  (see page 86)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director
  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
    - Chief Financial Officer of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
- **Other directorships and positions held in the past five years**
  (none)

Jean-Jacques Duchamp

- **Main areas of expertise and experience**
  (see page 86)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director
    - Member of the Audit Committee
    - Member of the Executive and Strategy Committee
  – Directorships and positions – Outside the SFL Group:

  In France:
    - Chairman of the Board of Directors of Spirica (SA)
    - Director:
      - Ramsay Générale de Santé (SA) – *listed company*
      - CPR - Asset Management (SA)
      - Pacifica (SA)
      - Life Side Patrimoine
      - Semmaris
      - Comexposium
    - Permanent representative of Prédica, Director of Gecina (SA) – *listed company*
    - Deputy Chief Executive Officer and member of the Executive Committee of Crédit Agricole Assurances (SA)

Outside France:
  - Director of CA Vita (SA), *(Italy)*

- **Other directorships and positions held in the past five years**
  - Director of Crédit Agricole Immobilier (SA)
  - Permanent representative of Crédit Agricole Assurances, director of Dolcea Via
  - Permanent representative of Predica, director of Sanef
  - Member of the Supervisory Board/director of Korian-Médica

Chantal du Rivau

- **Main areas of expertise and experience**
  (see page 86)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director of SFL
  - Director representing Predica on the Management Board of SCI Washington
  - Member of the Shareholders' Committee of Parholding SAS, representing Predica

  – Directorships and positions – Outside the SFL Group:

  In France:
  - Chief Executive Officer:
    - Iris Holding (SAS)
  - Director:
    - Alta Blue (SAS)
    - B2 Hotel Invest*
    - Camp Invest*
    - Iris Invest 2010*
    - OPCI Massy Bureaux (SAS)*
    - OPCI ECO Campus*
    - OPCI GHD*
    - OPCI River Ouest*
    - GHD Opco Hôtel (SASU)
  - Permanent representative of IMEFA Quatre, director:
    - OPCI CAA Commerces 2*
    - OPCI Messidor*
  - Permanent representative of Predica, member of the Supervisory Board of Patrimoine & Commerce (SCA) – *listed company*
  - Member of the Supervisory Board:
    - Unipierre Assurance**
    - Fonds de Logement Intermédiaire II (FLI II) SAS
  - Manager of Diapre Un (SARL)

* French mutual fund primarily invested in real estate

** French real estate investment trust

  Outside France: None

- **Other directorships and positions held in the past five years**
  - Chair of the Board of Directors and director of OPCI Predica Bureaux
  - Chair of the Board of Directors and director of OPCI River Ouest
  - Chair of the Board of Directors of OPCI Predica Habitation
  - Chair of CAA Kart 1
  - Chair of CAA Kart 2
  - Chief Executive Officer of B Immobilier
  - Director of Urbis Park

Carlos Fernandez-Lerga Garralda

- **Main areas of expertise and experience**
  (see page 86)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director
  - Chairman of the Audit Committee

  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
  - Independent director, member of the Executive Committee, member of the Audit Committee, Chairman of the Remuneration and Selection Committee of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
  - Director, Chairman of the Board of Directors, Chairman of the Audit Committee of Iberdrola Ingenieria y Construccion (SA) *(Spain)*
  - Director:
    - El Econômista / Ecoprensa (SA) *(Spain)*
    - EUR-Consultores SL *(Spain)*
- **Other directorships and positions held in the past five years**
  (none)

Carmina Ganyet i Cirera

- **Main areas of expertise and experience**
  (see page 86)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director
  - Member of the Audit Committee
  - Member of the Executive and Strategy Committee

  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
  - Corporate Managing Director of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
  - Member of the Board of Directors, member of the Audit Committee and member of the Nominations Committee of Repsol – *listed company (Spain)*
- **Other directorships and positions held in the past five years**
  - Director of SIIC de Paris (France)
  - Member of the Board of Directors, Chair of the Remuneration and Nominations Committee, Member of the Executive Committee of ICF (Catalan Finance Institute) *(Spain)*
  - Member of the Board of Directors and member of the Audit Committee of Segur Caixa – Adeslas *(Spain)*

Carlos Krohmer

- **Main areas of expertise and experience**
  (see page 86)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
  - Director

– Directorships and positions – Outside the SFL Group:

In France: None

Outside France:
- Corporate Development Director of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
- Member of the Executive Committee of Kreis Deutschprachiger Führungskräfte

• **Other directorships and positions held in the past five years**
(none)

Arielle Malard de Rothschild

• **Main areas of expertise and experience**
(see page 86)

• **Current directorships and positions**
– Directorships and positions – SFL Group:
- Independent director
- Member of the Audit Committee
- Member of the Remuneration and Selection Committee (SFL)

– Directorships and positions – Outside the SFL Group:

In France:
- Manager of Rothschild & Cie (SCS)
- Member of the Supervisory Board and member of the Risk Committee of Rothschild & Co (SCA) – *listed company*
- Director of Groupe Lucien Barrière (SAS) *until 1 April 2019*

Outside France: None

• **Other directorships and positions held in the past five years**
- Director, member of the Audit and Risk Committee, member of the Strategy Committee of Electrica (UK and Romania)
- Director and member of the Remuneration Committee of Imerys *(France)*

Luis Maluquer Trepat

• **Main areas of expertise and experience**
(see page 86)

• **Current directorships and positions**
– Directorships and positions – SFL Group:
- Director

– Directorships and positions – Outside the SFL Group:

In France: None

Outside France:
- Independent director, member of the Audit Committee, member of the Remuneration and Selection Committee of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
- Director:
  - Filux (SA) *(Spain)*
  - Vitek (SA) (Spain)
  - M&M Entertainment (SL) *(Spain)*
  - Pineapple Tree (SL) *(Spain)*
- Member of the bureau of the Board of Directors of Camara Argentina de Comercio en España *(Spain)*
- Lawyer with Maluquer Advocats, SCP *(Spain)*

• **Other directorships and positions held in the past five years**
- Director:
  - Aldesago *(Spain)*
  - Fortunella *(Spain)*
  - Maluquer Advocats (SCP) *(Spain)*
  - Praeverto (SLP) *(Spain)*
- Chairman of
  - Camara Argentina de Comercio en España (Spain)

Nuria Oferil Coll

• **Main areas of expertise and experience**
(see page 87)

• **Current directorships and positions**
– Directorships and positions – SFL Group:
- Director

– Directorships and positions – Outside the SFL Group:

In France: None

Outside France:
- Chief Legal Officer and Vice Secretary to the Board of Directors and Board Committees of Inmobiliaria Colonial (SOCIMI, SA) – listed company (Spain)

• **Other directorships and positions held in the past five years**
(none)

Alexandra Rocca

• **Main areas of expertise and experience**
(see page 87)

• **Current directorships and positions**
– Directorships and positions – SFL Group:
- Independent director

– Directorships and positions – Outside the SFL Group:

In France:
- Vice President, Communications of Air Liquide (SA)
- Member of the Supervisory Board of Etam Développement (SCA) – *listed company*
- Chair of Arenco (SASU) until February 2019

Outside France: None

• **Other directorships and positions held in the past five years**
- Director of the Franco-American Chamber of Commerce (AMCHAM France)

Pere Viñolas Serra

- **Main areas of expertise and experience**
  (see page 87)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Director
    - Vice Chairman of SFL
    - Member of the Executive and Strategy Committee
    - Member of the Remuneration and Selection Committee (SFL)

  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:

  – Chief Executive Officer, Vice Chairman and member of the Executive Committee of Inmobiliaria Colonial (SOCIMI, SA) *– listed company (Spain)*

  – Director:
    - Electro-Stocks SL *(Spain)*
    - Bluespace *(Spain)*
- **Other directorships and positions held in the past five years**
  - Director: SIIC de Paris

Anthony Wyand

- **Main areas of expertise and experience**
  (see page 87)
- **Current directorships and positions**
  – Directorships and positions – SFL Group:
    - Honorary Chairman and independent director of SFL
    - Member of the Remuneration and Selection Committee (SFL)

  – Directorships and positions – Outside the SFL Group:

  In France:
    - Chairman of the Board of Directors of Cybele Asset Management (SA)

  Outside France: None
- **Other directorships and positions held in the past five years**
  - Director:
    - Aviva France *(France)*
    - Aviva Participations *(France)*
    - Société Générale *(France)*
    - UniCredito *(Italy)*

3.9. Directors' attendance rates

		Board meetings	Audit Committee meetings	Remuneration & Selection Committee meetings	Executive & Strategy Committee meetings[1]	Committee of Independent Directors Meetings[1]
	Juan José Brugera Clavero (Chairman)	100%	n/a	n/a	–	n/a
Directors	Ali bin Jassim Al Thani	67%	n/a	n/a	n/a	n/a
	Angels Arderiu Ibars	83%	n/a	n/a	n/a	n/a
	Sylvia Desazars de Montgailhard[2]	n/a	n/a	n/a	n/a	–
	Jean-Jacques Duchamp	67%	67%	n/a	–	n/a
	Chantal du Rivau	67%	n/a	n/a	n/a	n/a
	Carlos Fernandez-Lerga Garralda	100%	100%	n/a	n/a	n/a
	Carmina Ganyet i Cirera	100%	100%	n/a	–	n/a
	Carlos Krohmer	100%	n/a	n/a	n/a	n/a
	Arielle Malard de Rothschild	67%	83%	100%	n/a	–
	Luis Maluquer Trepat	100%	n/a	n/a	n/a	n/a
	Alexandra Rocca[3]	80%	n/a	n/a	n/a	–
	Nuria Oferil Coll	100%	n/a	n/a	n/a	n/a
	Pere Viñolas Serra	100%	n/a	100%	–	n/a
	Anthony Wyand	83%	n/a	100%	n/a	–

n/a: not applicable.
(1) No meetings held in 2019.
(2) Independent director until 20 January 2019.
(3) Independent director since 15 February 2019.

3.10. Board practices

3.10.1. 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 Statutory 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 two-to-five year business plan as prepared by management.

3.10.2. 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 Directors' Charter.

Extracts from the Board of Directors' internal rules and ethical and corporate governance standards are presented in sections 3.10.3 and 3.10.4 below.

The internal rules describe the Board's duties and practices, as well as the rights and obligations of individual directors.

3.10.3. Rights and obligations of directors and management of conflicts of interest

In addition to describing the directors' statutory rights and obligations, the Directors' 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.

As recommended in the AFEP-MEDEF Code (January 2020 version), directors who have a conflict of interest abstain from taking part in the debate on the matter giving rise to the conflict.

3.10.4. Work of the Board of Directors in 2019

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 meeting, except for emergency meetings, 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 Board Committee.

The Board of Directors met six times in 2019, with an average attendance rate of 86.72%.

The issues covered during the meetings were as follows:

Agenda of the 15 February 2019 meeting

1. Approval of the minutes of the 19 December 2018 meeting
2. Approval of the 2018 financial statements – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' report
3. Dividend
4. Preparation of the Annual General Meeting of 5 April 2019:
   - Notice of meeting and agenda
   - Approval of the resolutions to be tabled at the Meeting
   - Approval of the reports of the Board of Directors
5. Bonds and guarantees
   - Review of commitments given pursuant to the authorisation given by the Board of Directors at its 9 February 2018 meeting
   - Renewal of the authorisation for the Chief Executive Officer (or any person to whom the Chief Executive Officer's powers are delegated) to issue bonds and other guarantees
6. Other business
   - Composition of the Board of Directors
   - Report of the Remuneration and Selection Committee
   - Report of the Audit Committee
   - Related party agreements (Article L.225-40-1 of the French Commercial Code)

Agenda of the 5 April 2019 meeting

1. Approval of the minutes of the 15 February 2019 meeting
2. Confirmation of the appointment of the Chairman of the Board of Directors – powers and remuneration
3. First-quarter 2019 business review and approval of contracts for building renovation work
4. Financing: authorisation
5. Merger of Société Immobilière Victoria SAS under the simplified procedure
6. Other business
   - Report of the Remuneration and Selection Committee
   - Forecasts and projections

Agenda of the 21 June 2019 meeting

1. Property investments/sales: proposed investment (Neuilly-sur-Seine)

Agenda of the 26 July 2019 meeting

1. Approval of the minutes of the meetings held on 5 April and 21 June 2019
2. Approval of the 2019 interim financial statements and first-half business review – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' review report
3. Other business:
   • Report of the Remuneration and Selection Committee

Agenda of the 27 September 2019 meeting

1. Property investments/sales: proposed investment (Paris 9)

Agenda of the 15 November 2019 meeting

1. Approval of the minutes of the meetings held on 26 July and 27 September 2019
2. 2020-2024 Business Plan
3. Other business
   • Forecasts and projections
   • Remuneration Committee report
   • Audit Committee report
   • Proposed 2020 meeting schedule

3.11. Adoption of the SIIC Code of Conduct

Responding to concerns raised by the French securities regulator (*Autorité des marchés financiers* – 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, the 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's 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.

3.12. 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 Statutory 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.
– As stipulated in the Articles of Association, each director, elected in his or her own name or as permanent representative of a corporate director and non-voting director, is required to hold at least 25 SFL shares registered in his or her name. In addition, in application of European Regulation 596/2014 (Market Abuse Regulation), the directors are prohibited from trading in SFL shares, directly or indirectly, on their own behalf or on behalf of third parties, during periods designated as negative windows.
– 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.

3.13. Board Committees

3.13.1. Rules governing the membership and procedures of the Board Committees

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. Under no circumstances may the Committees 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. They act solely in an advisory capacity. The Committees report to the Board of Directors.

Their members may be appointed for the duration of their term as a 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.

3.13.2. Audit Committee

Members of the Audit Committee as of 31 December 2019:
Chairman: Carlos Fernandez-Lerga Garralda
Members: Jean-Jacques Duchamp
Carmina Ganyet i Cirera
Arielle Malard de Rothschild (independent director)

The Audit Committee members' experience in the areas of finance and accounting is described on pages 86 and 89 to 91 of this report.

In accordance with Article L.823-19 of the French Commercial Code, amended by French government order 2016-315 dated 17 March 2016, the AFEP-MEDEF Code and the Board of Directors' internal rules, the role of the Audit Committee is to:

– Monitor the process for the preparation of financial information and make any necessary recommendations to guarantee the information's integrity.

– Monitor the effectiveness of internal control and risk management systems, and – if applicable – of the internal audit of the procedures for the preparation and processing of accounting and financial information, without affecting its independence.
– Make recommendations concerning the firm of accountants to be proposed for appointment as Statutory Auditors by the General Meeting and make recommendations to the Board of Directors concerning the re-appointment of incumbent auditors in accordance with Article L.823-3-1.
– Monitor the audit of the financial statements by the Statutory Auditors. To assist the Committee in this task, the Statutory Auditors are required to submit to the Committee a report explaining the results of their audit, at the same time as their report setting out their audit opinion or earlier.
– Verify the independence of the Statutory Auditors.
– Define and monitor audits of controls over the Company's internal procedures and report the Statutory Auditors' conclusions and recommendations to the Board of Directors.
– Report regularly to the Board of Directors on its activities. The Committee also reports to the Board on the results of the statutory audit of the financial statements, the ways in which the audit contributed to the integrity of reported financial information and the Committee's role in the process. It is also required to notify the Board immediately of any audit-related problems.
– Approve the provision of non-audit services by the Statutory Auditors.

The Audit Committee met six times in 2019, with an average attendance rate of 87.50%.

The issues covered during the meetings were as follows:

Agenda of the 10 January 2019 meeting

1. Approval of the minutes of the 9 November 2018 meeting
2. Update on the implementation of recommendations
3. 2019 internal audit plan
4. Presentation by Fabienne Boileau Chief Financial Officer
5. Services provided by the Statutory Auditors – Renewal of delegations of authority to the Audit Committee (French government order dated 17 March 2016)
6. Presentation of the Statutory Auditors' 2018 audit approach

Agenda of the 14 February 2019 meeting

1. Approval of the minutes of the 10 January 2019 meeting
2. Review of the 2018 financial statements
3. Re-appointment of PricewaterhouseCoopers Audit SA as Statutory Auditor
4. Other business:
   • Indicator dashboard – implementation of recommendations

Agenda of the 25 June 2019 meeting

1. Approval of the minutes of the 14 February 2019 meeting
2. 2019 internal audit engagements (progress review)
   • Engagement 29: review of GDPR procedures
   • Engagement 30: review of procedures for the management of delegations of authority
   • Engagement 31: review of salary increase tracking procedures

Agenda of the 26 July 2019 meeting

1. Approval of the minutes of the 25 June 2019 meeting
2. Review of the 2019 interim financial statements
3. Other business
   • Management indicators at 30 June 2019 (risk monitoring)

Agenda of the 3 October 2019 meeting

1. Approval of the minutes of the 26 July 2019 meeting
2. 2019 internal audit engagements (progress review)
   • Engagement 32: review of procedures covering cyber security risk affecting SFL's building technical management systems
3. Presentation of the Statutory Auditors' 2019 audit approach
4. Other business
   • Transparency Directive: changes in reporting formats
   • Financial communications (AMF)

Agenda of the 15 November 2019 meeting

1. Approval of the minutes of the 3 October 2019 meeting
2. 2019 internal audit engagements
   • Engagement 33: review of the procedure covering the billing of capex to tenants
   • Engagement 34: review of procedures for the launch and budget control of major redevelopment projects in SFL buildings
3. Areas to be covered by the 2020 internal audit programme

For more information about the Audit Committee's work in 2019, see pages 25 *et seq.* ("Internal control" section).

3.13.3. Remuneration and Selection Committee

Members of the Remuneration and Selection Committee as of 31 December 2019:
Chairman: Anthony Wyand (independent director)
Members: Arielle Malard de Rothschild (independent director)
Pere Viñolas Serra

As recommended in the AFEP-MEDEF Corporate Governance Code, the majority of Remuneration and Selection Committee members are independent directors.

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 Chairman, the Chief Executive Officer and the Managing Director, the directors' remuneration, 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 falls vacant for unforeseeable reasons or following a change in the number of seats on the Board.
– Review the independence of the Board members and the candidates for election to the Board or a Board Committee.

The Remuneration and Selection Committee met six times in 2019, with an attendance rate of 100%.

The issues covered during the meetings were as follows:

Agenda of the 6 February 2019 meeting

1. Approval of the minutes of the 9 November 2018 meeting
2. Payment of the Chief Executive Officer and Managing Director's 2018 bonuses
3. 2019 remuneration of the Chairman, Chief Executive Officer, Managing Director and members of the Board of Directors
4. 2019 performance share plan
5. Other business

Agenda of the 5 April 2019 meeting

1. Confirmation of the re-appointment of the Chairman of the Board of Directors – powers and remuneration
2. 26 April 2016 performance share plan: actual performance in relation to the vesting criteria
3. Choice of executive pay consultants
4. Other business

Agenda of the 17 July 2019 meeting

1. Approval of the minutes of the 5 April 2019 meeting
2. Interviews and selection of a firm of executive pay consultants

Agenda of the 17 September 2019 meeting

1. Presentation by the executive pay consultants: analysis of the remuneration of the Chairman, the Chief Executive Officer and the Managing Director

Agenda of the 10 October 2019 meeting

1. Remuneration of the Chairman, the Chief Executive Officer and the Managing Director: executive pay consultants' work and conclusions (continued)

Agenda of the 15 November 2019 meeting

1. Approval of the minutes of the previous meetings
2. Substitution of Terreis in the long-term incentive plan
3. Further presentation by the executive pay consultants – decision-making timeline
4. SFL share liquidity
5. Chief Executive Officer and Managing Director bonus formulas et performance criteria

3.13.4. The Executive and Strategy Committee

Members of the Executive and Strategy Committee as of 31 December 2019:
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:
– Advise the Board and senior management in defining the Company'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.

It did not hold any meetings in 2019.

3.13.5. Committee of Independent Directors

Members of the Committee of Independent Directors as of 31 December 2019:
- Arielle Malard de Rothschild
- Alexandra Rocca
- Anthony Wyand

The role of the Committee of Independent Directors is to review relations between SFL and its controlling shareholder that may have a material impact on financial flows, assets, the financial statements or the SFL share price and make recommendations to the Board.

It did not hold any meetings in 2019.

4. Remuneration policy applicable to the Chairman, the Chief Executive Officer, the Managing Director and the members of the Board of Directors

The remuneration policy decided by the Board of Directors is presented below, in accordance with Article L.225-37-2 of the French Commercial Code, as amended by Government order 2019-1234 dated 27 November 2019, and Article R.225-29-1, as amended by Decree 2019-1235 dated 27 November 2019. This section presents (i) the overall remuneration policy applicable to the Chairman, the Chief Executive Officer, the Managing Director and the members of the Board of Directors and (ii) the fixed, variable and special components of the total remuneration and benefits, including performance shares, awarded to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors in respect of their functions.

The Board of Directors is submitting for approval at the Annual General Meeting the remuneration policy established for the Chairman, the Chief Executive Officer, the Managing Director and the members of the Board of Directors, as well as the fixed, variable and special components of the total remuneration and benefits for 2020, including performance shares, awarded to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors in respect of their functions, as described below.

In accordance with Article L.225-37-2 of the French Commercial Code, payment of the variable and special components of their remuneration, as presented in this section, will depend on their remuneration being approved by the Annual General Meeting to be held in 2021 to approve the 2020 financial statements.

4.1. Remuneration policy applicable to the Chairman, the Chief Executive Officer, the Managing Director and the members of the Board of Directors

4.1.1. Compatibility with the corporate interest and contribution to the Company's business strategy and sustainability

The variable remuneration payable under the remuneration policy applicable to the Chairman, the Chief Executive Officer and the Managing Director rewards their contribution to the Company's business strategy and overall long-term strategy. As explained elsewhere in this report (pages 99, 105 and 107), the variable remuneration of the Chief Executive Officer and the Managing Director comprises a bonus based on quantitative or financial criteria and a bonus based on qualitative or non-financial criteria. The bonus based on quantitative or financial criteria depends on growth in EPRA earnings and rental income, with an objective assigned for each year in the vesting period. The bonus based on qualitative or non-financial criteria rewards contributions to the Company's strategy and sustainability:

- Contribution to defining the Company's strategy: management based on a dynamic vision of the Company's future, implementation of the Company's strategy.
- CSR policy: sustained improvement in CSR performance over the long term, inclusion of CSR issues in development plans, development of relevant CSR performance targets.
- Portfolio management: growth in rents vs market and occupancy rate, asset-by-asset value creation/reversionary potential analysis, property purchases/sales, major redevelopment projects.

In addition, the use of performance share plans as a long-term incentive brings the corporate interest, the interests of shareholders and the respective interests of the Chief Executive Officer, the Managing Director and the Chairman in even closer alignment. The performance share plans provide for a three-year vesting period followed by a two-year lock-up period. In addition, a certain percentage of the vested shares must be held for as long as the recipient remains an officer of SFL or another Group company (see Appendix 13.2, pages 75 to 77).

4.1.2. Decision-making process followed to determine, revise and implement the remuneration policy, including measures to avoid or manage conflicts of interest, role of the Remuneration Committee or other concerned Committees

Each year, the Remuneration and Selection Committee submits its proposals to the Board of Directors concerning the remuneration of the Chairman, the Chief Executive Officer and the members of the Board of Directors. The Board of Directors discusses these proposals and then decides on its remuneration policy. The Chairman of the Board does not take part in the discussion and vote on his remuneration. When determining the remuneration of the Chairman and the Chief Executive Officer, the Remuneration and Selection Committee takes into account and applies the principles set out in the AFEP-MEDEF Code. The Committee and the Board ensure that the remuneration and employment terms of the Company's employees are taken into account when determining the remuneration of the Chairman and the Chief Executive Officer. They pay particular attention to ensuring that the remuneration of the Chairman and the Chief Executive Officer is determined on a basis that is consistent with that applied to the Company's other senior executives and its employees, and that the components of their remuneration are balanced and take into account the Company's corporate interest, market practices, the performance of the Chairman and the Chief Executive Officer, and the Company's other stakeholders.

4.1.3. Performance assessment methods to be applied to the Chairman, the Chief Executive Officer and the Managing Director to determine to what extent the performance criteria used to determine their bonus and the performance share vesting criteria have been met

The amount represented by the variable bonus of the Chief Executive Officer and the Managing Director is determined according to a formula decided by the Board of Directors on 9 November 2018 based on the recommendation of the Remuneration and Selection Committee.

Under this formula, which was updated in 2019 and remains aligned with the practices of other listed property companies, the quantitative bonus – which accounts for 50% of the total bonus – is determined on the basis of annual objectives set for two criteria:

- EPRA earnings
- Rental income

The arithmetical average of the achievement rates for these objectives determines the amount of the quantitative bonus, according to the correspondence table presented on page 99.

Following the Board meeting at which the previous year's financial statements are approved for publication, the Remuneration and Selection Committee:
- Notes the amount of EPRA earnings and rental income for that year.
- Notes the objectives set for these two criteria by the Board of Directors when the budget for that year was adopted.
- Notes the achievement rates for these objectives and determines the resulting amount of the quantitative bonus for that year, using the formula and correspondence table referred to above.
- Proposes the method for determining this variable bonus for the following year.
- Submits all of these proposals for adoption by the Board of Directors (and the Annual General Meeting in the case of the Chief Executive Officer's bonus) and recommends that the related bonus be paid.

The assessment of the performance conditions that determine whether the performance shares granted to the Chairman, the Chief Executive Officer and the Managing Director will vest is subject to the procedure described below.

Following 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 performance share grant date in accordance with the plan rules adopted by the Board of Directors, the Company's management issues a representation letter to the Statutory Auditors containing the following information:
- Dates of the General Meeting and the Board of Directors' meeting at which the decision was made to grant performance shares to the Chairman, the Chief Executive Officer and the Managing Director.
- Date on which the performance share rules were adopted (with a copy of the plan rules enclosed with the representation letter).
- Performance objective measurement used for each of the Reference Companies during the vesting period.
- Number of performance shares that have vested and are to be delivered, respectively, to the Chairman, the Chief Executive Officer and the Managing Director in accordance with the plan rules.

The Statutory Auditors are then required to certify this information in order to determine the number of vested shares in each case. Their certificate is prepared after reviewing the performance share plan rules and checking that the calculation method complies with the plan's stipulations.

4.1.4. Criteria for allocating the fixed annual amount awarded to the members of the Board of Directors by the Annual General Meeting

The directors' remuneration comprises a fixed amount in recognition of their liability as directors and a variable amount based on their attendance rate at meetings of the Board and its Committees.

These fixed and variable amounts are presented in section 5.3 (page 113).

4.1.5. Description and explanation of substantial changes to the remuneration policy

Not applicable. There have been no changes to the Company's remuneration policy compared to that adopted for the previous year.

4.1.6. Method of applying the remuneration policy to a newly appointed Chairman or Chief Executive Officer, or following the re-appointment of the Chairman or Chief Executive Officer before shareholders have had the opportunity to approve significant changes to said policy

Not applicable. There have been no changes to the Company's remuneration policy compared to that adopted for the previous year.

4.1.7. Non-compliance with the remuneration policy

Not applicable.

4.2. Remuneration policy applicable to the Chairman, the Chief Executive Officer and the members of the Board of Directors

4.2.1. Remuneration policy applicable to the Chairman of the Board of Directors

The remuneration policy for 2020 applicable to the Chairman of the Board of Directors is described below. This policy was decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

Fixed remuneration for the function of Chairman of the Board of Directors

The Chairman of the Board of Directors is paid fixed remuneration for his function as Chairman, the amount of which is decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

Remuneration as member of the Board of Directors

The Chairman of the Board of Directors receives the remuneration allocated to him by the Board of Directors out of the total amount awarded to the Board by the Annual General Meeting.

Performance shares

In line with the 38-month authorisation given by the Annual General Meeting of 20 April 2018, at its meeting held on the same day, the Board of Directors decided to set up a new performance share plan (Plan 5).

The Chairman of the Board of Directors is eligible to participate in this plan.

Performance shares granted under Plan 5 will vest provided that the grantee has not left the Group on the vesting date and the performance targets described below are met.

The Plan 5 Rules are as follows:

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's departure 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 net asset value (NAV) 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. In addition, after the end of this statutory two-year lock-up period, the Chairman will be required to keep 40% of the shares for the remainder of his 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 his annual remuneration.

The Plan 5 rules are presented in Appendix 13.2 of the Management Report (pages 76 and 77).

4.2.2. Remuneration policy applicable to the Chief Executive Officer

The remuneration policy applicable to the Chief Executive Officer for 2020 is described below. This policy was decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

Salary

The Chief Executive Officer is paid a salary, the amount of which is decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

It is reviewed annually by the Remuneration and Selection Committee and the Board of Directors, and may be adjusted taking into account the Company's business and financial performance for the previous year.

Bonus

The Chief Executive Officer is entitled to a bonus, the amount of which is decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

The bonus calculation formula is reviewed annually by the Remuneration and Selection Committee and the Board of Directors.

For the 2019 formula, the Remuneration and Selection Committee based its recommendation to the Board of Directors on a benchmarking study performed by an independent firm of consultants in 2019 and on other analyses performed in prior periods.

The Chief Executive Officer's maximum total bonus for 2019 (based on 100% achievement of the performance targets) has been set at an amount equal to his annual salary, before the effect of the coefficient applied to calculate the quantitative bonus.

His total bonus comprises a quantitative bonus for 50%, based on growth in the Group's EPRA earnings and rental income, and a qualitative bonus for 50%, based on individual objectives.

Quantitative bonus

To determine the quantitative bonus for a given year, the overall target achievement rate for the year concerned is calculated as the arithmetical average of the achievement rates for the EPRA earnings and rental income targets. This overall target achievement rate is used to determine the quantitative bonus, applying the following correspondence table:

Overall target achievement rate	Quantitative bonus calculated as a % of salary(1)
	Chief Executive Officer
A. 122% and over	145%
B. 100%	100%
C. 70% and over	60%
D. Less than 70%	0

(1) Before weighting for the 50% portion of the total bonus represented by the quantitative bonus.

The total bonus (qualitative bonus + quantitative bonus) is adjusted by applying a coefficient corresponding to the following ratio: **Current year EPRA earnings/Prior year EPRA earnings**

The coefficient is determined as shown below:

Current year EPRA earnings/Prior year EPRA earnings	Coefficient
Less than 90%	90%
90% to 95%	90% to 100% (linear)
95% to 105%	100% (constant)
105% to 110%	100% to 110% (linear)
More than 110%	110%

Where necessary, the bonus is adjusted to take into account any changes in Group structure that have taken place during the year.

Qualitative bonus

The qualitative criteria are established in advance and clearly defined by the Board of Directors, on the recommendation of the Remuneration and Selection Committee. They are not disclosed for business confidentiality reasons. Actual performance in relation to the targets is assessed each year by the Remuneration and Selection Committee.

Performance shares

In line with the 38-month authorisation given by the Annual General Meeting of 20 April 2018, at its meeting held on the same day the Board of Directors decided to set up a new performance share plan (Plan 5).

The Chief Executive Officer is eligible to participate in this plan.

Performance shares granted under Plan 5 will vest provided that the grantee has not left the Group on the vesting date and the performance targets described in section 4.2.1 above are met.

The Plan 5 rules are described in Appendix 13.2 of the Management Report (pages 76 and 77).

Benefits in kind

The Chief Executive Officer has the use of a company car and is covered by private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* – GSC).

Other benefits

The Chief Executive Officer is entitled to matching employer payments on his voluntary contributions to the SFL Group Pension Savings Plan (PERCO, renamed PERECO since 1 October 2019) and also participates in the Group's discretionary profit-sharing scheme.

Compensation for loss of office

Compensation for loss of office equal to two years' salary and bonus would be payable to the Chief Executive Officer in the event that his departure was (i) imposed, (ii) linked to a change in control or strategy and (iii) decided for reasons other than gross or wilful misconduct. It would be calculated based on:

- his annual salary applicable at the time of his loss of office, and
- until 31 December 2017, the last annual bonus paid to him prior to his loss of office and, from 1 January 2018, the average of his last three annual bonuses.

No special bonuses or other components of his remuneration package 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 previous years, as follows:

Prior year EPRA vs average for the two previous 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, changes in the property portfolio in the years concerned would be taken into account.

This compensation for loss of office was approved by the Annual General Meeting of 22 April 2015.

4.2.3. Remuneration policy applicable to the Managing Director and Chief Operating Officer

The Managing Director and Chief Operating Officer does not receive any remuneration in his capacity as Managing Director.

His duties as Chief Operating Officer are covered by his permanent employment contract with the Company. As an employee of SFL, he is paid a salary, participates in long-term incentive schemes and receives benefits in kind in the same way as other senior executives of the Company.

Under his employment contract, which was signed before he became Managing Director, if he were to leave the Company following a change of control, he would be entitled to a termination benefit equal to double the total gross remuneration due for the calendar year preceding the change of control.

4.2.4. Remuneration policy applicable to the members of the Board of Directors

The members of the Board of Directors are remunerated for their function as directors.

Based on the recommendation of the Remuneration and Selection Committee on 2 March 2017, at its meeting on 3 March 2017, the Board of Directors decided to allocate fixed and variable remuneration to its members as from 1 January 2017, as explained in section 4.1.4 (page 98).

At the Annual General Meeting on 28 April 2017, shareholders decided to increase the total amount awarded to the Board of Directors to €800,000 (16th resolution) At the Board meeting held immediately after this Annual General Meeting, the Board of Directors confirmed its decision of 3 March 2017.

This remuneration is paid to directors on a half-yearly basis in arrears.

4.3. Service contracts with members of the administrative, management or supervisory bodies

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.

5. Remuneration and benefits paid to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and other members of executive management for 2019

5.1. Ratios disclosed in accordance with Article L.225-37-3 I, paragraphs 6 and 7, as amended by Government order 2019-1234 dated 27 November 2019

The following tables present the ratio between (i) the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Director and (ii) the average and median full-time equivalent remuneration of employees of the Société Foncière Lyonnais economic and employee unit (other than the persons in (i)) for the past five years except for 2014. No data are presented for 2014 due to the deployment of a new human resources information system in 2015, which made it impossible to retrieve remuneration data for 2014 based on the same structure. Nicolas Reynaud has served as Chief Executive Officer and Dimitri Boulte has served as Managing Director since 27 January 2015.

Data concerning the SFL economic and social unit (ESU), in line with the guidelines on remuneration multiples published by AFEP on 28 January 2020:

	Executive-to-average employee remuneration ratio (employees of the SFL ESU)	Change in ratios over the past five years				
	2019	2018	2017	2016	2015	2014
Chairman of the Board Juan José Brugera Clavero	3.13	2.78	3.03	2.74	2.99	–
Chief Executive Officer Nicolas Reynaud	11.01	9.59	11.04	10.18	8.77	–
Managing Director Dimitri Boulte	8.38	7.17	7.48	6.87	5.45	–

	Executive-to-median employee remuneration ratio (employees of the SFL ESU)	Change in ratios over the past five years				
	2019	2018	2017	2016	2015	2014
Chairman of the Board Juan José Brugera Clavero	4.22	3.48	4.00	3.70	3.69	–
Chief Executive Officer Nicolas Reynaud	14.83	12.02	14.55	13.75	10.84	–
Managing Director Dimitri Boulte	11.30	8.98	9.86	9.28	6.73	–

Chairman of the Board Juan José Brugera Clavero	2019	2018	2017	2016	2015
Annual remuneration	€370,000	€355,914	€301,546	€274,159	€262,663
Company performance					
• Rental income	€198,710k	€193,509k	€195,780k	€198,137k	€168,794k
• EPRA earnings	€119,236k	€106,651k	€102,419k	€100,881k	€65,797k
• Growth in EPRA earnings	11.7%	4.2%	1.5%	53.3%	25.3%
• Growth in EPRA NNNAV	11.1%	7.7%	21.0%	13.3%	18.5%
Average remuneration	€118,182	€128,138	€99,463	€100,077	€87,861
Ratios	3.13	2.78	3.03	2.74	2.99

Chief Executive Officer Nicolas Reynaud	2019	2018	2017	2016	2015
Annual remuneration	€1,300,738	€1,229,361	€1,097,904	€1,018,503	€770,975
Company performance					
• Rental income	€198,710k	€193,509k	€195,780k	€198,137k	€168,794k
• EPRA earnings	€119,236k	€106,651k	€102,419k	€100,881k	€65,797k
• Growth in EPRA earnings	11.7%	4.2%	1.5%	53.3%	25.3%
• Growth in EPRA NNNAV	11.1%	7.7%	21.0%	13.3%	18.5%
Average remuneration	€118,182	€128,138	€99,463	€100,077	€87,861
Ratios	11.01	9.59	11.04	10.18	8.77

Managing Director Dimitri Boulte	2019	2018	2017	2016	2015
Annual remuneration	€990,678	€919,072	€743,926	€687,122	€478,596
Company performance					
• Rental income	€198,710k	€193,509k	€195,780k	€198,137k	€168,794k
• EPRA earnings	€119,236k	€106,651k	€102,419k	€100,881k	€65,797k
• Growth in EPRA earnings	11.7%	4.2%	1.5%	53.3%	25.3%
• Growth in EPRA NNNAV	11.1%	7.7%	21.0%	13.3%	18.5%
Average remuneration	€118,182	€128,138	€99,463	€100,077	€87,861
Ratios	8.38	7.17	7.48	6.87	5.45

Data concerning the Company only, in accordance with Article L.225-37-3 of the French Commercial Code

	Executive-to-average employee remuneration ratio	Change in ratios over the past five years				
	2019	2018	2017	2016	2015	2014
Chairman of the Board Juan José Brugera Clavero	3.07	2.71	2.90	2.64	2.97	–
Chief Executive Officer Nicolas Reynaud	10.81	9.35	10.55	9.80	8.73	–
Managing Director Dimitri Boulte	8.23	6.99	7.15	6.61	5.42	–

	Executive-to-median employee remuneration ratio (Company employees)	Change in ratios over the past five years				
	2019	2018	2017	2016	2015	2014
Chairman of the Board Juan José Brugera Clavero	4.16	3.38	3.86	3.52	3.60	–
Chief Executive Officer Nicolas Reynaud	14.63	11.68	14.06	13.10	10.57	–
Managing Director Dimitri Boulte	11.14	8.73	9.53	8.83	6.56	–

Chairman of the Board Juan José Brugera Clavero	2019	2018	2017	2016	2015
Annual remuneration	€370,000	€355,914	€301,546	€274,159	€262,663
Company performance					
• Rental income	€198,710k	€193,509k	€195,780k	€198,137k	€168,794k
• EPRA earnings	€119,236k	€106,651k	€102,419k	€100,881k	€65,797k
• Growth in EPRA earnings	11.7%	4.2%	1.5%	53.3%	25.3%
• Growth in EPRA NNNAV	11.1%	7.7%	21.0%	13.3%	18.5%
Average remuneration	€120,345	€131,446	€104,044	€103,958	€88,314
Ratios	3.07	2.71	2.90	2.64	2.97

Chief Executive Officer Nicolas Reynaud	2019	2018	2017	2016	2015
Annual remuneration	€1,300,738	€1,229,361	€1,097,904	€1,018,503	€770,975
Company performance					
• Rental income	€198,710k	€193,509k	€195,780k	€198,137k	€168,794k
• EPRA earnings	€119,236k	€106,651k	€102,419k	€100,881k	€65,797k
• Growth in EPRA earnings	11.7%	4.2%	1.5%	53.3%	25.3%
• Growth in EPRA NNNAV	11.1%	7.7%	21.0%	13.3%	18.5%
Average remuneration	€120,345	€131,446	€104,044	€103,958	€88,314
Ratios	10.81	9.35	10.55	9.80	8.73

Managing Director Dimitri Boulte	2019	2018	2017	2016	2015
Annual remuneration	€990,678	€919,072	€743,926	€687,122	€478,596
Company performance					
• Rental income	€198,710k	€193,509k	€195,780k	€198,137k	€168,794k
• EPRA earnings	€119,236k	€106,651k	€102,419k	€100,881k	€65,797k
• Growth in EPRA earnings	11.7%	4.2%	1.5%	53.3%	25.3%
• Growth in EPRA NNNAV	11.1%	7.7%	21.0%	13.3%	18.5%
Average remuneration	€120,345	€131,446	€104,044	€103,958	€88,314
Ratios	8.23	6.99	7.15	6.61	5.42

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

This section presents the 2019 remuneration and benefits paid to Juan José Brugera Clavero, Chairman of the Board of Directors, Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director.

The tables presented in section 5.2.4 below have been prepared in accordance with the AMF's position paper/recommendation 2009-16 and the AFEP-MEDEF Corporate Governance Code for Listed Companies.

The components of the 2019 remuneration and benefits payable to Juan José Brugera Clavero, Chairman of the Board of Directors, and Nicolas Reynaud, Chief Executive Officer, in accordance with the remuneration policy approved by shareholders at the Annual General Meeting of 5 April 2019 (17th and 18th ordinary resolutions, respectively) are subject to shareholder approval at the Annual General Meeting of 3 April 2020 in accordance with Article L.225-100 of the French Commercial Code. See below for details.

5.2.1. Remuneration and benefits due or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2019

Fixed remuneration for the function of Chairman of the Board of Directors

Juan José Brugera Clavero was paid fixed remuneration of €150,000 in his capacity as Chairman of the Board of Directors. This amount has been unchanged since 2011.

Remuneration as member of the Board of Directors

In addition, as a member of the Board of Directors, Mr Brugera Clavero was paid remuneration of €58,000, including fixed annual remuneration of €40,000 and variable remuneration of €18,000.

Performance shares

On 15 February 2019, the Board of Directors decided to grant 6,000 Plan 5 performance shares to Juan José Brugera Clavero. Plan 5 rules are presented in section 4.2.1 above and in Appendix 13.2 of the Management Report (pages 76 and 77).

The following table presents the components of the remuneration and benefits due or awarded to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors for 2019:

Components of remuneration due or awarded for the year ended 31 December 2019	Amount or accounting value	Comments
Fixed remuneration	€150,000	The fixed remuneration for 2019 is unchanged from 2018.
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.
Special bonus	N/A	Juan José Brugera Clavero is not entitled to any special bonus.
Stock options, performance shares and other deferred remuneration	€162,000	Juan José Brugera Clavero was granted 6,000 performance shares by the Board on 15 February 2019.
Remuneration as member of the Board of Directors	€58,000	Juan José Brugera Clavero is remunerated for his function as member of the Board of Directors.
Benefits in kind	N/A	Juan José Brugera Clavero is not entitled to any benefits in kind.

Components of remuneration due or awarded for the year ended 31 December 2019 subject to approval by the Annual General Meeting under the procedure covering related party agreements and commitments	Amount	Comments
Compensation for loss of office	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.

5.2.2. Remuneration and benefits due or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2019

Fixed remuneration

Nicolas Reynaud was paid gross annual remuneration of €357,000 for 2019.

Bonus

Nicolas Reynaud's 2019 bonus, calculated by the method decided by the Board of Directors on 15 February 2019, amounted to €424,895, as follows:
– A quantitative bonus of €207,768, based on growth in the Group's EPRA earnings and rental income. This bonus reflects an achievement rate of 108.02% compared to the objectives.
– A qualitative bonus of €178,500, based on performance in relation to personal objectives (not disclosed for business confidentiality reasons).

The EPRA earnings ratio is 111.8%. Consequently, the coefficient applied to the above two amounts for the determination of the qualitative and quantitative bonuses is 110%.

Payment of the bonus is subject to shareholder approval at the Annual General Meeting on 3 April 2020.

At its meeting on 22 March 2018, the Remuneration and Selection Committee added corporate social responsibility (CSR) criteria to the qualitative objectives on which the bonuses of Nicolas Reynaud and Dimitri Boulte are based. These criteria are as follows:
– Long-term improvement in the Group's CSR performance
– Inclusion of CSR considerations in the Group's development plans
– Relevance of performance goals

Performance shares

On 15 February 2019, the Board of Directors decided to grant 20,000 Plan 5 performance shares to Nicolas Reynaud. The Plan 5 rules are presented in section 4.2.1 above and in Appendix 13.2 of the Management Report (pages 76 and 77).

Compensation for loss of office

None.

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* – GSC).

The following table presents the components of the remuneration and benefits due or awarded to Nicolas Reynaud in his capacity as Chief Executive Officer for 2019:

Components of remuneration due or awarded for the year ended 31 December 2019	Amount or accounting value	Comments
Fixed remuneration	€357,000	Nicolas Reynaud's fixed remuneration was increased by €7,000 in 2019 compared with 2018.
Annual bonus	€424,895 (Payment of the bonus is subject to shareholder approval at the Annual General Meeting on 3 April 2020)	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.
Long-term incentive bonus	N/A	Nicolas Reynaud is not entitled to any long-term incentive bonus.
Special bonus	N/A	Nicolas Reynaud is not entitled to any special bonus.
Stock options, performance shares and other deferred remuneration	€540,000	Nicolas Reynaud was granted 20,000 performance shares by the Board on 15 February 2019.
Remuneration as member of the Board of Directors	N/A	Nicolas Reynaud is not a member of the Board of Directors and does not therefore receive any remuneration in this respect.
Benefits in kind	€17,829	Nicolas Reynaud has the use of a company car and is covered by private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* – GSC).
Other	€24,766	Matching employer payments to the SFL Group Pension Savings Plan (PERECO), rights under the discretionary profit-sharing plan for 2018, paid in 2019 (profit shares for 2019 had not been determined as of the date this document was published).

Components of remuneration due or awarded for the year ended 31 December 2019 subject to approval by the Annual General Meeting under the procedure covering related party agreements and commitments	Amount	Comments
Compensation for loss of office	N/A	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.

5.2.3. Remuneration and benefits due or awarded to Dimitri Boulte, Managing Director, for the year ended 31 December 2019

Dimitri Boulte was appointed Managing Director by the Board of Directors on 27 January 2015. He does not receive any remuneration in his capacity as Managing Director, but is paid a salary and bonus under his employment contract with the Company, for his services as Chief Operating Officer. The amounts reported below therefore correspond to his remuneration as a salaried employee.

Salary

Dimitri Boulte was paid a gross annual salary of €290,754 for 2019.

Bonus

Dimitri Boulte's 2019 bonus, calculated by the method decided by the Board of Directors on 15 February 2019, amounted to €276,122.

Performance shares

On 15 February 2019, the Board of Directors decided to grant 16,000 Plan 5 performance shares to Dimitri Boulte. The Plan 5 rules are presented in section 4.2.1 above and in Appendix 13.2 of the Management Report (page 76 and 77).

Benefits in kind

Dimitri Boulte has the use of a company car.

Termination benefit

None.

The following table presents the components of the remuneration and benefits due or awarded to Dimitri Boulte in his capacity as Managing Director for 2019:

Components of remuneration due or awarded for the year ended 31 December 2019	Amount or accounting value	Comments
Salary	€290,754	Dimitri Boulte's salary was increased by €20,000 in 2019 compared with 2018.
Annual bonus	€276,122	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.
Long-term incentive bonus	N/A	Dimitri Boulte is not entitled to any long-term incentive bonus.
Special bonus	N/A	Dimitri Boulte is not entitled to any special bonus.
Stock options, performance shares and other deferred remuneration	€432,000	Dimitri Boulte was awarded 16,000 performance shares by the Board on 15 February 2019.
Remuneration as member of the Board of Directors	N/A	Dimitri Boulte is not a member of the Board of Directors and does not therefore receive any remuneration in this respect.
Benefits in kind	€6,659	Company car.
Other	€38,388	Matching employer payments to the SFL Group Pension Savings Plan (PERECO), rights under the discretionary profit-sharing plan for 2018, paid in 2019 (profit shares for 2019 had not been determined as of the date this document was published).
Compensation for loss of office	N/A	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.

5.2.4. Remuneration summaries

The following tables have been prepared in accordance with the AMF's position paper/recommendation no. 2009-16 and the AFEP-MEDEF Corporate Governance Code for Listed Companies as revised in January 2020.

The amounts in the tables below 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 of the Board	2018	2019
Remuneration awarded for the year (see Table 2 for details)	210,000	208,000
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year(1) (see Table 6 for details)	145,914	162,000
Other deferred remuneration	0	0
TOTAL	**355,914**	**370,000**

(1) 6,000 performance shares were awarded to Juan José Brugera Clavero at the Board Meeting of 20 April 2018 and a further 6,000 at the Board Meeting of 15 February 2019. The performance share grant and vesting conditions and values are presented in Appendix 13.2 (pages 76 and 77).

Nicolas Reynaud Chief Executive Officer	2018	2019
Remuneration awarded for the year (see Table 2 for details)	748,802	824,490
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year(1) (see Table 6 for details)	486,380	540,000
Other deferred remuneration	0	0
TOTAL	**1,235,182**	**1,364,490**

(1) 20,000 performance shares were awarded to Nicolas Reynaud at the Board Meeting of 20 April 2018 and a further 20,000 at the Board Meeting of 15 February 2019. The performance share award and vesting conditions and values are presented in Appendix 13.2 (see pages 76 and 77).

Dimitri Boulte, Managing Director and Chief Operating Officer	2018	2019
Remuneration awarded for the year(1) (see Table 2 for details)	549,804	611,923
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year(2) (see Table 6 for details)	389,104	432,000
Other deferred remuneration	0	0
TOTAL	**938,908**	**1,043,923**

(1) 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.
(2) 16,000 performance shares were awarded to Dimitri Boulte at the Board Meeting of 20 April 2018 and a further 16,000 at the Board Meeting of 15 February 2019. The performance share award and vesting conditions and values are presented in Appendix 13.2 (see pages 76 and 77).

The following tables provide summary information about the remuneration paid to Juan José Brugera Clavero, Nicolas Reynaud and Dimitri Boulte for 2016 and 2017:

Juan José Brugera Clavero Chairman of the Board	2016	2017
Remuneration due for the year	186,000	211,000
Long-term incentive bonus	0	0
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year	88,159	90,546
Other deferred remuneration	0	0
TOTAL	**274,159**	**301,546**

Nicolas Reynaud Chief Executive Officer	2016	2017
Remuneration due for the year	785,599	746,316
Long-term incentive bonus	0	0
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year	293,865	301,821
Other deferred remuneration	0	0
TOTAL	**1,079,464**	**1,048,137**

Dimitri Boulte Managing Director/Chief Operating Officer	2016	2017
Remuneration due for the year	482,012	486,284
Long-term incentive bonus	0	0
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year	235,092	241,457
Other deferred remuneration	0	0
TOTAL	**717,104**	**727,741**

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

Juan José Brugera Clavero Chairman of the Board of Directors	2018		2019	
	Due	Paid	Due	Paid
Fixed remuneration(1)	150,000	150,000	150,000	150,000
Annual bonus	0	0	0	0
Special bonus	0	0	0	0
Remuneration as member of the Board of Directors(2)	60,000	60,000	58,000	58,000
Benefits in kind	0	0	0	0
Other	0	0	0	0
Total	**210,000**	**210,000**	**208,000**	**208,000**

(1) The above remuneration was paid to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors.
(2) Annual remuneration as member of the Board of Directors allocated by decision of the Board of Directors on 3 March 2017.

Nicolas Reynaud Chief Executive Officer	2018		2019	
	Due	Paid	Due	Paid
Fixed remuneration(1)	350,000	350,000	357,000	357,000
Annual bonus(2)	361,143	361,143	424,895	424,895
Special bonus	0	0	0	0
Remuneration as member of the Board of Directors	0	0	0	0
Benefits in kind(3)	17,566	17,566	17,829	17,829
Other(4)	20,093	20,093	24,766	24,766
Total	**748,802**	**748,802**	**824,490**	**824,490**

(1) The fixed remuneration of Nicolas Reynaud is reviewed annually and may be increased depending on the Company's business and financial results for the previous year.
At its meeting on 15 February 2019, the Board of Directors decided to increase Nicolas Reynaud's fixed remuneration to €357,000 for 2019. The increase was decided based on the recommendation of the Remuneration and Selection Committee dated 6 February 2019, after considering the growth in the Company's results, P&L indicators and balance sheet indicators.

(2) The method for calculating Nicolas Reynaud's bonus was decided by the Board of Directors on 9 February 2018 for the 2018 bonus and on 15 February 2019 for the 2019 bonus.
The performance criteria used to determine the 2018 bonuses of the Chief Executive Officer and the Managing Director were decided by the Board of Directors at its meeting on 9 February 2018, based on the recommendation of the Remunerations and Selection Committee.
The bonuses were based on a mix of quantitative and qualitative criteria, as follows:
- 50% based on the Company's performance in relation to two criteria: EPRA earnings and rental income (quantitative bonus), and
- 50% based on their performance in relation to their personal objectives (qualitative bonus).

To determine the 2018 quantitative bonuses, the Board of Directors decided to set the following objectives for the two performance criteria for 2018:
- an EPRA earnings objective of €102.6 million
- a rental income objective of €189.2 million.

The average of the achievement rates for these two criteria was taken as the overall achievement rate used to determine the quantitative bonuses for 2018, applying the following correspondence table:

Overall target achievement rate	Quantitative bonus calculated as a % of salary(1)	
	Chief Executive Officer	Managing Director/Chief Operating Officer
A. 122% and over	145%	116%
B. 100%	100%	80%
C. 70% and over	60%	48%
D. Less than 70%	0	0

(1) Before weighting for the portion of the total bonus represented by the quantitative bonus.
- 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 amount obtained by the above calculation has been multiplied by a coefficient based on the following ratio: **Current year EPRA earnings/Prior year EPRA earnings**
The coefficient was determined as shown in the following table:

Current year EPRA earnings/Prior year EPRA earnings	Coefficient
Less than 90%	90%
90% to 95%	90% to 100% (linear)
95% to 105%	100% (constant)
105% to 110%	100% to 110% (linear)
More than 110%	110%

The performance targets for the 2019 bonuses of the Chief Executive Officer and the Managing Director were approved by the Board of Directors on 15 February 2019 based on the recommendation of the Remuneration and Selection Committee.
The components of the bonus are unchanged, as follows:
- 50% based on the Company's performance in relation to two criteria: EPRA earnings and rental income (quantitative bonus), and
- 50% based on personal performance targets (qualitative bonus).

To determine the 2019 quantitative bonuses, the Board of Directors decided to set the following objectives for the two performance criteria:
- an EPRA earnings objective of €107.2 million
- a rental income objective of €189.6 million

The average of the achievement rates for these two criteria has been taken as the overall achievement rate used to determine the quantitative bonus for 2019, applying the above correspondence table, which is unchanged from 2018.

The amount obtained by the above calculation has been multiplied by a coefficient based on the following ratio: **Current year EPRA earnings/Prior year EPRA earnings**
The coefficient has been determined as shown in the following table and is unchanged from 2017:

Current year EPRA earnings/Prior year EPRA earnings	Coefficient
Less than 90%	90%
90% to 95%	90% to 100% (linear)
95% to 105%	100% (constant)
105% to 110%	100% to 110% (linear)
More than 110%	110%

The qualitative performance targets for 2018 and 2019 were clearly defined in advance. They are not disclosed for business confidentiality reasons.

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

(4) Matching employer payments on voluntary contributions for 2018 and 2019 to the SFL Group Pension Savings Plan (PERCO, converted into a PERECO effective from 1 October 2019), rights under the discretionary profit-sharing plan for 2017 and 2018, paid in 2018 and 2019 respectively (profit shares payable in respect of 2019 had not been determined as of the date this document was published).

Dimitri Boulte, Managing Director and Chief Operating Officer	2018		2019	
	Due	Paid	Due	Paid
Salary(1)	270,754	270,754	290,754	290,754
Annual bonus(2)	222,877	222,877	276122	276122
Long-term incentive bonus	0	0	0	0
Special bonus	0	0	0	0
Remuneration as member of the Board of Directors	0	0	0	0
Benefits in kind(3)	6,659	6,659	6,659	6,659
Other(4)	49,514	49,514	38,388	38,388
Total	**549,804**	**549,804**	**611,923**	**611,923**

(1) The salary of Dimitri Boulte is reviewed annually and may be increased depending on the Company's business and financial results for the previous year. At its meeting on 15 February 2019, the Board of Directors decided to increase Dimitri Boulte's salary to €290,000 for 2019. The increase was decided based on the recommendation of the Remuneration and Selection Committee dated 6 February 2019, after considering the growth in the Company's results, P&L indicators and balance sheet indicators.
(2) The bonus paid to Dimitri Boulte in his capacity as Chief Operating Officer is determined by the method applied to the bonuses of salaried Management Committee members, as decided by the Board of Directors on 9 February 2018 for the 2018 bonus and on 15 February 2019 for the 2019 bonus. The criteria and method applied to determine the bonus are described in footnote (2) to the above table concerning Nicolas Reynaud.
(3) Company car.
(4) Matching employer payments on voluntary contributions for 2018 and 2019 to the SFL Group Pension Savings Plan (PERCO, converted into a PERECO effective from 1 October 2019), rights under the discretionary profit-sharing plan for 2017 and 2018, paid in 2018 and 2019 respectively (profit shares payable in respect of 2019 had not been determined as of the date this document was published).

TABLE 10 – LONG-TERM INCENTIVE BONUSES AWARDED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Name	2017	2018	2019
Juan José Brugera Clavero		No long-term incentive bonus was awarded during the period	
Nicolas Reynaud		No long-term incentive bonus was awarded during the period	
Dimitri Boulte		No long-term incentive bonus was awarded during the period	

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 financial statements	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 SHARES 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 shares granted during the year(1)	Fair value of performance shares as calculated in the consolidated financial statements(2)	Vesting date(3)	End of lock-up period(4)	Performance conditions(5)
Juan José Brugera Clavero	Plan 5 15 February 2019	6,000	162,000	15 February 2022	15 February 2024	(5)
Nicolas Reynaud	Plan 5 15 February 2019	20,000	540,000	15 February 2022	15 February 2024	(5)
Dimitri Boulte	Plan 5 15 February 2019	16,000	432,000	15 February 2022	15 February 2024	(5)
Directors			No performance shares were granted during the year			

(1) 42,000 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 15 February 2019 pursuant to an authorisation given by the Annual General Meeting of 20 April 2018. The reported number corresponds for each grantee to the maximum number of shares that may vest under the plan approved by the Board of Directors on 20 April 2018 (Plan 5), 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 13.2.
(2) The value of the performance shares has been calculated using the binomial model and corresponds to the number of shares expected to vest multiplied by the fair value per share. The binomial model uses the following parameters: option exercise price, underlying share price, expected dividend on the shares, risk-free interest rate for the period corresponding to the life of the option, expected option price volatility, number of forfeited options, capital dilution, expected life of the option, earnings targets and lock-up discount. Based on the model assumptions, the fair value of the performance shares granted on 15 February 2019 is €54.00.
(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 15 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 grant date and not less than three years after the grant date (i.e., 15 February 2022 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 of 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 net asset value (NAV) per share plus dividends paid over the vesting period. The performance criteria are presented in Appendix 13.2.
To the best of the Company's knowledge, no hedging instruments have been acquired to cover the equity risk associated with the performance shares.

TABLE 7 – PERFORMANCE SHARES GRANTED 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
Juan José Brugera Clavero	Plan 1 4 March 2014	3,750
Nicolas Reynaud	Plan 1 4 March 2014	4,368
Dimitri Boulte	Plan 1 4 March 2014	7,500

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

Name	Employment contract		Supplementary pension benefits		Termination benefits payable or likely to be payable		Non-compete indemnities	
	Yes	No	Yes	No	Yes	No	Yes	No
Juan José Brugera Clavero Chairman of the Board of Directors - Appointed: 14 April 2010 - Term expires: 2019 AGM		X		X		X		X
Nicolas Reynaud Chief Executive Officer - Appointed: 27 January 2015 - Term expires: appointed for an indefinite period		X		X	X(1)			X
Dimitri Boulte Managing Director - Appointed: 27 January 2015 - Term expires: appointed for an indefinite period	X(2)			X	X(3)			X

(1) 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 4.2.2 above for details).
(2) In 2019, Dimitri Boulte had an employment contract covering his duties as Chief Operating Officer, a position he has 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.
(3) In 2019, 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, 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.

5.3. Directors' remuneration

Concerning directors' remuneration, at the Annual General Meeting of 28 April 2017 (16th ordinary resolution), the total remuneration awarded to the Board of Directors was increased to €800,000 as from 2017.

At its meeting held immediately after the Annual General Meeting, the Board of Directors confirmed the allocation of directors' remuneration decided at its meeting on 3 March 2017 based on the Remuneration and Selection Committee's recommendation of 2 March 2017. Consequently, as from 1 January 2017 and until a new decision is made, directors' remuneration is allocated as follows:

Fixed annual remuneration:	Director:	€20,000
	Member of a Board Committee:	€30,000
	Chairman of the Board and/or of a Board Committee:	€40,000
Variable remuneration:	Per meeting of the Board:	€3,000
	Per meeting of a Board Committee:	€2,000

As shown above, since 1 January 2017 the Company partially complies with the recommendation in the AFEP-MEDEF Code (Article 21.1) that the directors' remuneration should consist primarily of a variable portion that takes into account each director's attendance rate at Board meetings and meetings of Board Committees.

There are no agreements providing for the payment of compensation for loss of office to directors in any circumstances.

TABLE 3 – REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Name	Amounts paid in 2018	Amounts paid in 2019
Ali Bin Jassim Al Thani		
Remuneration (fixed, variable)	35,000	32,000
Other remuneration	0	0
Angels Arderiu Ibars		
Remuneration (fixed, variable)	35,000	35,000
Other remuneration	0	0
Anne-Marie de Chalambert(1)		
Remuneration (fixed, variable)	35,467	0
Other remuneration	0	0
Sylvia Desazars de Montgailhard(2)		
Remuneration (fixed, variable)	38,000	1,105
Other remuneration	0	0
Chantal du Rivau		
Remuneration (fixed, variable)	38,000	0
Other remuneration	0	0
Jean-Jacques Duchamp		
Remuneration (fixed, variable)	64,000	0
Other remuneration	0	0
Carlos Fernandez-Lerga Garralda		
Remuneration (fixed, variable)	72,000	70,000
Other remuneration	0	0
Carmina Ganyet i Cirera		
Remuneration (fixed, variable)	56,000	60,000
Other remuneration	0	0
Carlos Krohmer		
Remuneration (fixed, variable)	35,000	38,000
Other remuneration	0	0
Arielle Malard de Rothschild(3)		
Remuneration (fixed, variable)	15,082	64,000
Other remuneration	0	0
Luis Maluquer Trepat		
Remuneration (fixed, variable)	35,000	38,000
Other remuneration	0	0
Adnane Mousannif(4)		
Remuneration (fixed, variable)	38,000	0
Other remuneration	0	0
Nuria Oferil Coll		
Remuneration (fixed, variable)	38,000	38,000
Other remuneration	0	0
Alexandra Rocca(5)		
Remuneration (fixed, variable)	0	29,514
Other remuneration	0	0
Pere Viñolas Serra		
Remuneration (fixed, variable)	55,000	60,000
Other remuneration	0	0
Anthony Wyand		
Remuneration (fixed, variable)	63,000	67,000
Other remuneration	0	0
Total	**652,549**	**532,619**

(1) Independent director and Committee member until 18 July 2018.
(2) Independent director until 20 January 2019.
(3) Independent director since 26 July 2018, member of the Remuneration and Selection Committee since 9 November 2018, member of the Audit Committee since 19 December 2018.
(4) Director until 19 December 2018.
(5) Independent director since 15 February 2019.

5.4. Remuneration and benefits in kind paid to executive management other than the Chief Executive Officer and the Managing Director

The following table presents the total gross remuneration for 2019 paid by SFL to the persons who were members of the Management Committee at 31 December 2019 other than the Chief Executive Officer and the Managing Director:

	2019
2019 salaries	€893,840
2019 bonuses(1)	€405,198
Benefits in kind	€22,874
Special bonuses	€0
Non-discretionary/discretionary profit-sharing(2)	€160,747
Matching payments to the Group Pension Savings Plan (PERCO/PERECO)	€24,450

(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 by the Board of Directors on 15 February 2019.
(2) Rights under the non-discretionary and discretionary profit-sharing plans for 2018, paid in 2019 (profit shares in respect of 2019 had not been determined as of 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 compensation in addition to the termination 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. The amount of said compensation was set at double the individual's 2006 remuneration in euros.

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 compensation from two years to 18 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.

As of 31 December 2019, two employees (including the Chief Operating Officer, who also holds the position of Managing Director) were covered by the change of control clause.

5.5. Information about stock options and performance shares

TABLE 8 – SUMMARY OF STOCK OPTIONS GRANTED IN PREVIOUS YEARS

None.

TABLE 9 – SUMMARY OF PERFORMANCE SHARES GRANTED IN PREVIOUS YEARS

	Plan 1			Plan 2	Plan 3	Plan 4		Plan 5	
Date of General Meeting	9 May 2011				22 April 2015	13 November 2015		20 April 2018	
Board date	16 February 2012	5 March 2013	4 March 2014	16 February 2012	17 June 2015	26 April 2016	3 March 2017	20 April 2018	15 February 2019
Total performance share rights granted, of which rights granted to:	49,481	52,716	50,972	20,516	40,992	48,054	50,064	67,184	65,896
the Chairman, the Chief Executive Officer and the Managing Director	34,331	37,462	37,462	20,516	24,750	31,500	31,500	42,000	42,000
• Juan José Brugera Clavero	3,750	3,750	3,750	–	4,500	4,500	4,500	6,000	6,000
• Bertrand Julien-Laferrière	21,843	21,843	21,843	20,516	–	–	–	–	–
• Nicolas Reynaud	4,369	4,369	4,369	–	11,250	15,000	15,000	20,000	20,000
• Dimitri Boulte	4,369	7,500	7,500	–	9,000	12,000	12,000	16,000	16,000
Vesting date	19 March 2015	7 April 2016	4 March 2017	4 April 2014	17 June 2018	26 April 2019	3 March 2020	20 April 2021	15 February 2022
End of lock-up period	18 March 2017	6 April 2018	3 March 2019	3 April 2016	16 June 2020	25 April 2021	2 March 2022	19 April 2023	14 February 2024
Performance criteria		(1)		(2)	(3)	(4)		(5)	(5)
Number of vested performance shares as of 31 December 2019	44,375	36,424	26,725	20,516	37,896	46,302	–	–	–
Cumulative number of performance share rights cancelled or forfeited	–	–	–	–	–	–	3,570	3,280	424
Number of performance share rights outstanding at 31 December 2019	–	–	–	–	–	–	46,494	63,904	65,472

(1) The performance criteria are described in "Plan 1 Rules" below.
(2) The performance criteria are described in "Plan 2 Rules" below.
(3) The performance criteria are described in "Plan 3 Rules" below.
(4) The performance criteria are described in "Plan 4 Rules" below.
(5) The performance criteria are described in "Plan 5 Rules" below.

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 ten 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 grant date.

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.

However, this rule is waived if the grantee’s departure 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 net asset value (NAV) 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 granted 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 ten 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 grant 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 departure 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 net asset value (NAV) 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.

Plan 3 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 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 grant date (i.e., for the 17 June 2015 grant, the year ended 31 December 2017).

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's departure 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 net asset value (NAV) 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. In addition, for performance shares granted 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 4 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 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 grant date (i.e., for the 26 April 2016 grant, the year ended 31 December 2018).

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's departure 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 net asset value (NAV) 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. In addition, for performance shares granted 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 5 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 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 grant date (i.e., for the 15 February 2019 grant, the year ending 31 December 2021).

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's departure 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 net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

Lock-up period

Under Plan 5, 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, after the end of this statutory two-year lock-up period, the Chairman, the Chief Executive Officer and the Managing Director will be required to keep 40% of the shares 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 his annual remuneration.

6. Agreements between a corporate officer or material shareholder of SFL and one of its subsidiaries

In accordance with the disclosure requirements of Article L.225-37-4.2, of the French Commercial Code, shareholders are informed that no agreements have been entered into, directly or through a third party, between the Chairman, the Chief Executive Officer, the Managing Director, a member of the Board of Directors or a shareholder that holds over 10% of SFL's voting rights and a company controlled by SFL, within the meaning of Article L.233-3, other than agreements entered into in the normal course of business on arm's length terms.

7. Procedure for assessing routine and regulated agreements

At its meeting on 6 February 2020, in accordance with Article L.225-39.2 of the French Commercial Code, the Board of Directors set up a procedure to regularly assess whether agreements qualified as concerning routine transactions and as having been entered into on arm's length terms effectively fulfil these conditions.

On 6 February 2020, the Board of Directors decided to include the review of regulated related party agreements in this procedure, in order to comply with the AMF's recommendation 2012-05 inviting companies to set up an internal charter to qualify agreements concerned by the regulated related party agreements procedure.

The assessment is performed by the Company's internal teams and will be reviewed annually by the Audit Committee.

If recommended by the Audit Committee, the Board of Directors may requalify routine agreements as regulated related party agreements.

The persons directly or indirectly concerned by any of these agreements do not take part in their assessment, in accordance with Article L.225-39 of the French Commercial Code.

8. Summary of financial authorisations

In accordance with the disclosure requirements of Article L.225-37-4.3° of the French Commercial Code, the table below provides a summary of the currently valid authorisations to increase the capital given to the Board of Directors by shareholders pursuant to Articles L.225-129-1 and L.225-129-2 of the Code. The table also provides information on the use of these authorisations during 2019.

Date of AGM	Authorisation or delegation of competence	Used/unused in 2019	Duration of authorisation
5 April 2019	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
5 April 2019	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
5 April 2019	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
5 April 2019	Authorisation given to the Board of Directors, for issues of ordinary shares or securities with rights to shares without pre-emptive subscription rights for existing shareholders, 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
5 April 2019	Authorisation given to the Board of Directors, for share issues with or without pre-emptive subscription rights for existing shareholders, to increase the number of shares issued.	Unused	26 months
5 April 2019	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
5 April 2019	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
5 April 2019	Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.	Unused	26 months
5 April 2019	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
28 April 2017	Authorisation given to the Board of Directors to grant stock options to employees and corporate officers.	Unused	38 months
20 April 2018(1)	Authorisation given to the Board of Directors to grant performance shares to eligible employees and corporate officers of SFL and/or its subsidiaries, without pre-emptive subscription rights for existing shareholders.	Used	38 months

(1) Authorisation used by the Board of Directors on 15 February 2019 (see Appendix 13.2, pages 75 *et seq.*).

9. Shareholder participation in General Meetings (extracts from Articles 24, 25 and 29 of the Articles of Association)

(Article L.225-37-4.9 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 which way to vote on proposed 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 by the Board or, with the latter's authorisation, one of its members, the Chief Executive Officer or the Managing Director. 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 midnight 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 by post, 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 postal voting/proxy form. Written requests for a postal 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 accordance with his or her wishes.

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 undirected proxies given to them.

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 Company must receive the postal voting/proxy form 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 bonus shares that may be allocated in connection with a share issue paid up by capitalising reserves, profits or share premiums) do not qualify for double voting rights, as allowed under Article L.225-123-3 (final paragraph) of the French Commercial Code.

10. 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.225-37-5 of the French Commercial Code:

1. Details about the Company's ownership structure are provided in section 8.1.2 of the Management Report.

2. 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.

3. The direct or indirect interests of which the Company is aware are presented in section 8.1.2 of the Management Report.

4. The Company has not issued any securities comprising any special rights of control.

5. 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 8.5 of the Management Report).

6. To the best of the Company's knowledge, there are no shareholders' agreements in force between the shareholders (see section 10 of the Management Report) that could have the effect of restricting share transfers or the exercise of voting rights.

7. 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.

   Amendments to the Articles of Association are made in accordance with the applicable laws and regulations.

8. The delegations of authority to the Board of Directors are described in section 8.6.3 of the Management Report on the share buyback programme and in the financial authorisations table (page 119).

9. Contracts entered into by the Company that would be affected or terminated by a change of control are described in section 9 of the Management Report (page 34).

10. Details of the compensation that would be due to certain employees under the change of control clauses included in their employment contracts are provided in section 5.4 (page 115).

    There are no agreements providing for the payment of compensation for loss of office to directors in any circumstances.

    Details of the termination benefit that could be due to the Managing Director for loss of office are provided in section 5.2.2 (page 106).

The Board of Directors

Appendix 13.5 – Agenda for the Annual General Meeting of 3 April 2020

Ordinary Meeting

- Approval of the Company financial statements for the year ended 31 December 2019.
- Approval of the consolidated financial statements for the year ended 31 December 2019.
- Appropriation of profit for the year ended 31 December 2019 and dividend.
- Re-election as a director of Alexandra Rocca.
- Re-election as a director of Carmina Ganyet i Cirera.
- Re-election as a director of Juan José Brugera Clavero.
- Re-election as a director of Carlos Krohmer.
- Re-election as director of Luis Maluquer Trepat.
- Re-election as a director of Anthony Wyand.
- Approval of the remuneration policy applicable to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors in accordance with Article L.225-37-2 II of the French Commercial Code.
- Approval of the remuneration paid or awarded to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors for the year ended 31 December 2019, in accordance with Article L.225-100 II of the French Commercial Code.
- Approval of the components of the remuneration paid or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2019.
- Approval of the components of the remuneration paid or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2019.
- 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, purposes, terms and conditions, and 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, and ceiling.
- 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 other than an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code, duration of the authorisation, maximum aggregate nominal amount of the resulting share issue(s), issue price.
- 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 an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code, duration of the authorisation, maximum aggregate nominal amount of resulting share issue(s), issue price.
- Authorisation to be given to the Board of Directors to set the issue price, by the method decided by the shareholders at General Meetings, for issues of ordinary shares or securities with rights to shares, without pre-emptive subscription rights for existing shareholders, through (i) a public offer other than an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Commercial Code, or (ii) an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code.
- Authorisation given to the Board of Directors, for share issues with or without pre-emptive subscription rights for existing shareholders, to increase the number of shares issued.
- Blanket ceiling on financial authorisations.
- Authorisation to be given to the Board of Directors to grant stock options to employees and to the Chairman, the Chief Executive Officer and the Managing Director of the Company, waiver of shareholders' pre-emptive subscription rights for the shares issued on exercise of the options, duration of the authorisation, ceiling, exercise price, maximum life of the options.
- 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, duration of the authorisation, purposes, terms and conditions, and ceiling.
- Ratification of the Board of Directors' decision of 6 February 2020 aligning the Company's Articles of Association with current laws and regulations.
- Deletion of Article 17 of the Articles of Association concerning directors' qualifying shares and renumbering of subsequent articles.
- Amendment of Article 20 *bis* of the Articles of Association to remove the requirement for non-voting directors to hold shares of the Company.
- Delegation of authority to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting.
- Powers to carry out formalities.

Proposed resolutions

Ordinary resolutions

FIRST ORDINARY RESOLUTION (Approval of the Company financial statements for the year ended 31 December 2019)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, the Board of Directors' Management Report and the Statutory Auditors' report on the Company financial statements, approves the Company financial statements for the year ended 31 December 2019 as presented, showing a net profit of €58,206,015.20, 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 2019)

The Annual General Meeting, having considered the Board of Directors' Management Report included in the Group Management Report, and the Statutory Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2019 as presented, showing profit attributable to owners of the parent of €589,758 thousand, as well as the transactions reflected in these financial statements or described in these reports.

THIRD ORDINARY RESOLUTION (Appropriation of profit for the year ended 31 December 2019 and dividend)

The Annual General Meeting, having considered the Board of Directors' report and the Statutory Auditors' report on the Company financial statements:

1. Notes that net profit for the year ended 31 December 2019, after tax and additions to provisions, amounts to €58,206,015.20

2. Notes that profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

Net profit for the year ended 31 December 2019	€58,206,015.20
Retained earnings brought forward from the prior year	€65,884,984.90
Profit available for distribution	€124,091,000.10

3. Approves the recommendation of the Board of Directors and resolves to pay shareholders a dividend per share of €2.65, representing a total payout of €123,301,781.10 based on the 46,528,974 shares outstanding at 31 December 2019.

4. Approves the recommendation of the Board of Directors and resolves to deduct the total dividend from profit for the year for €58,206,015.20 and from retained earnings for €65,095,765.90, after which retained earnings will amount to €789,219.00.

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 21 April 2020.
The dividend will be paid in cash as from 23 April 2020.

The Annual General Meeting gives the Board of Directors full powers, which may be delegated to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director, to implement this resolution, and to place on record the actual amount of dividends distributed and the amount credited to retained earnings.

The Annual General Meeting notes that the dividend of €2.65 per share (based on 46,528,974 shares) will qualify as securities revenue as defined in Article 158-3.1, of the French Tax Code *(Code général des impôts).*

The dividend breaks down as follows:
- €0.28 will be paid out of profits that are subject to corporate income tax in the normal way. For this portion of the dividend, shareholders who have made a general election to pay tax at the graduated rate will be entitled to the 40% tax relief provided for in Article 158-3.2 of the French Tax Code.
- €2.37 will be paid out of profits that are exempt from corporate income tax under the tax rules applicable to French real estate investment trusts ("SIICs"). Consequently, for this portion of the dividend, shareholders will not be entitled to the 40% tax relief provided for in Article 158-3.2 of the French Tax Code, even if they have made a general election to pay tax at the graduated rate (Article 158-3.3 *bis* of the French Tax Code).

The dividend will be subject to the flat tax (*prélèvement forfaitaire non libératoire*) provided for in Article 117 *quater* of the French Tax Code and the withholding tax (*retenue à la source*) provided for in Article 119 *bis* of the French Tax Code, as follows:

In the case of individual shareholders who are resident in France for tax purposes and whose SFL shares are not held in a "PEA" personal equity plan, the dividend will be subject to a flat tax of 12.8% in accordance with Article 117 *quater* of the French Tax Code.

Dividends will be subject to withholding tax at the rate of 12.8% if they are paid to individual shareholders who are not resident in France for tax purposes, This rate will be increased to:
- 15% if the dividends are paid to (i) non-profit organisations that have their headquarters in a member state of the European Union, Iceland, Norway or Liechtenstein and would be taxed in accordance with Article 206-5 of the French Tax Code if they had their headquarters in France, or (ii) to French OPCVMs, OPCIs, SICAFs or other equivalent French or foreign investment funds;
- 75% if the dividends are paid outside France, in an "uncooperative" country or jurisdiction within the meaning of Article 238-0A 1 and 2 *bis* 1 of the French Tax Code, or
- 28% (for 2020) in all other cases (Articles 119 *bis* and 187 of the French Tax Code).

However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries will be required to provide a certificate of residence to benefit from the treaty rate.

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 French corporate income tax or an equivalent foreign tax, SFL will have to pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by "SIIC" activities, provided that the shareholder fulfils the above-mentioned conditions. To avoid the 20% tax, the non-resident shareholder would have to provide a certificate stating that the dividends paid out of the "SIIC" profits would be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime (Article 208 C II *ter* 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)
2016	€1,05(2)	–	–	€1.05	€48,855,422.70
	€1.05	–	–	€1.05	€48,855,422.70
2017	€2.30	–	€2.30	–	€107,016,640.20
2018	€2.65	–	€2.65	–	€123,301,781.10

(1) Not including dividends not paid on shares held in treasury.
(2) Special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 15 November 2016.

FOURTH ORDINARY RESOLUTION (Re-election as a director of Alexandra Rocca)

The Annual General Meeting, having noted that Alexandra Rocca'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 2022.

FIFTH ORDINARY RESOLUTION (Re-election as a director of Carmina Ganyet i Cirera)

The Annual General Meeting, having noted that Carmina Ganyet i Cirera'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 2022.

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 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 2020.

SEVENTH ORDINARY RESOLUTION (Re-election as a director of Carlos Krohmer)

The Annual General Meeting, having noted that Carlos Krohmer'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 2022.

EIGHTH ORDINARY RESOLUTION (Re-election as a director of Luis Maluquer Trepat)

The Annual General Meeting, having noted that Luis Maluquer Trepat'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 2022.

NINTH 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 2020.

TENTH ORDINARY RESOLUTION (Approval of the remuneration policy applicable to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors in accordance with Article L.225-37-2 II of the French Commercial Code)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Articles L.225-37-2 II and R.225-29-1 of the French Commercial Code, to approve the remuneration policy applicable to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors, as described in section 4 of the Corporate Governance Report presented by the Board of Directors for the year ended 31 December 2019.

ELEVENTH ORDINARY RESOLUTION (Approval of the remuneration paid or awarded to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors for the year ended 31 December 2019, in accordance with Article L.225-100 II of the French Commercial Code)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.225-100 II of the French Commercial Code, to approve the disclosures made in accordance with said Article concerning the remuneration paid or awarded to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and the members of the Board of Directors for the year ended 31 December 2019, as described in section 5 of the Corporate Governance Report presented by the Board of Directors for the year ended 31 December 2019.

TWELFTH ORDINARY RESOLUTION (Approval of the components of the remuneration paid or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2019)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.225-100 III of the French Commercial Code, to approve the fixed, variable and special components of the total remuneration and benefits paid or awarded for the year ended 31 December 2019 to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors, as described in section 5.2.1 of the Board of Directors' Corporate Governance Report for the year ended 31 December 2019.

THIRTEENTH ORDINARY RESOLUTION (Approval of the components of the remuneration paid or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2019)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.225-100 III of the French Commercial Code, to approve the fixed, variable and special components of the total remuneration and benefits paid or awarded for the year ended 31 December 2019 to Nicolas Reynaud in his capacity as Chief Executive Officer, as described in section 5.2.2 of the Board of Directors' Corporate Governance Report for the year ended 31 December 2019.

FOURTEENTH ORDINARY RESOLUTION (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, purposes, terms and conditions, and ceiling)

The Annual General Meeting, having considered the Board of Directors' report, resolves:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the nineteenth ordinary resolution of the General Meeting of 5 April 2019 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, to buy back, hold or transfer, in one or several transactions, shares representing up to 10% of the Company's issued capital at 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 restrictions:
   - The shares may not be bought back at a price in excess of €100 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 2019, the total amount invested in the share buyback programme will represent a maximum of €465,289,700 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 authorisation may be used 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 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 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 in compliance with the practices allowed under French securities regulations.
- 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 on exercise of the rights attached to securities with deferred rights to shares, for shares of the Company and to cover the Company's obligations towards the holders of these securities.
- 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.
- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorized by the applicable regulations.

When shares are bought back under a liquidity contract in accordance with the AMF's General Regulations, 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 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 on 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 shares bought back to any of the above purposes, carry out any and all filing and other formalities with the AMF and all other organisations, and generally do whatever is necessary.

FIFTEENTH 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 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, and ceiling)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory 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 carry out 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 (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 other than an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code, duration of the authorisation, maximum aggregate nominal amount of the resulting share issue(s), issue price)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.225-136, and Articles L.228-91 *et seq.* of said Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the second extraordinary resolution of the General Meeting of 5 April 2019.

2. To grant the Board of Directors a 14-month delegation of competence, from the date of this Meeting, to decide to issue ordinary shares and/or securities with immediate or deferred rights to ordinary shares, on one or several occasions, for the amounts and during the periods of its choice, in France or abroad by means of a public offer other than an offer governed by Article L.411-2.1 of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate and/or deferred rights to preference shares.
   Any public offers decided pursuant to this resolution may be linked – in a single issue or several simultaneous issues – to offers governed by Article L.411-2.1 of the French Monetary and Financial Code.

3. That the aggregate nominal amount of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, shall not exceed €100,000,000. This ceiling does not include the nominal amount of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

4. That the securities with rights to ordinary shares issued under this delegation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.
   The aggregate nominal amount of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling (i) does not include any redemption premiums that may be payable on the securities, (ii) shall apply to all debt securities that may be issued under this resolution and the third extraordinary resolution tabled at this Meeting as well as the first, sixth and seventh extraordinary resolutions adopted at the General Meeting of 5 April 2019, (iii) is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

5. That this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

6. That shareholders shall not have a pre-emptive right to subscribe for the shares or securities with rights to shares issued under this resolution. However, the Board of Directors may grant shareholders a non-transferable priority subscription right, exercisable pro rata to their existing shareholdings. In addition, shareholders may be given a non-transferable priority right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed, this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned. The terms and conditions under which these priority rights may be exercised for all or part of the issue will be set by the Board of Directors in accordance with the applicable laws. Ordinary shares and securities with rights to ordinary shares not taken up by shareholders exercising their priority right will be placed on the market in France and/or abroad and/or on the international market.

7. That if the issue is not taken up in full by investors and shareholders, the Board of Directors may take either or both of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice:
   - Limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue is taken up, and/or
   - Freely allocate all or some of the unsubscribed shares and/or securities with rights to shares.

8. That the amount received or to be received by the Company for each of the shares and securities with rights to shares issued or to be issued under this delegation of competence – in the case of equity warrant issues, after taking into account the warrants' issue price – shall be at least equal to the minimum price provided for in the laws and/or regulations in force on the issue date, whether or not the securities to be issued immediately or on a deferred basis rank *pari passu* with existing equity instruments.

9. That:

   a) The issue price of ordinary shares shall be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

   b) The issue price of securities with deferred rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

10. That the Board of Directors shall have full powers to use this delegation of competence and to:
   - Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.
   - Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.
   - Take any and all necessary measures to protect the rights of holders of rights or securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
   - At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
   - If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

THIRD EXTRAORDINARY RESOLUTION (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 an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code, duration of the authorisation, maximum aggregate nominal amount of the resulting share issue(s), issue price)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.225-136, and Articles L.228-91 *et seq.* of said Code, as well as Article L.411-2 II of the French Monetary and Financial Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the third extraordinary resolution of the General Meeting of 5 April 2019.

2. To grant the Board of Directors a 14-month delegation of competence, from the date of this Meeting, to decide to issue ordinary shares and/or securities with immediate or deferred rights to ordinary shares, on one or several occasions, for the amounts and during the periods of its choice, in France or abroad by means of an offer governed by Article L.411-2.1 of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate and/or deferred rights to preference shares.

3. That the aggregate nominal amount of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, shall not exceed €100,000,000. This ceiling does not include the nominal amount of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

4. That the number of shares issued in any 12-month period shall not represent more than 20% of the Company's issued capital, said period being calculated from the date of each successive issue. The Board of Directors would check that the 20% limit had not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.

5. That the securities with rights to ordinary shares issued under this delegation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.
   The aggregate nominal amount of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling (i) does not include any redemption premiums that may be payable on the securities, (ii) shall apply to all debt securities that may be issued under this resolution and the second extraordinary resolution tabled at this Meeting as well as the first, sixth and seventh extraordinary resolutions adopted at the General Meeting of 5 April 2019, (iii) is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

6. That this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

7. That shareholders shall not have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this delegation.

8. That if the issue is not taken up in full by investors and shareholders, the Board of Directors may take any or all of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice:
   - Limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue is taken up, and/or
   - Offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France or abroad, and/or
   - Freely allocate all or some of the unsubscribed securities.

9. That:

a) The issue price of ordinary shares shall be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

b) The issue price of any securities with deferred rights to ordinary shares shall be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a) above, adjusted as necessary to take into account differences in cum dividend dates.

10. That the Board of Directors shall have full powers to use this delegation of competence and to:
   - Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.
   - Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.
   - Take any and all necessary measures to protect the rights of holders of rights or securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
   - At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
   - If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

FOURTH EXTRAORDINARY RESOLUTION (Authorisation to be given to the Board of Directors to set the issue price, by the method decided by the shareholders at General Meetings, for issues of ordinary shares or securities with rights to shares, without pre-emptive subscription rights for existing shareholders, through (i) a public offer other than an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code, or (ii) an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report, resolves, in accordance with Article L.225-136 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the fourth extraordinary resolution of the General Meeting of 5 April 2019.

2. To grant the Board of Directors a 14-month authorisation, from the date of this Meeting, for each issue decided pursuant to the second and third extraordinary resolutions, provided that the number of shares issued in any given 12-month period does not exceed 10% of the Company's issued capital at the date of this Meeting, to depart from the pricing rules stipulated in those resolutions and to set the issue price of the ordinary shares and/or securities with rights to ordinary shares issued through (i) a public offer other than an offer governed by Article L.411-2.1 of the French Monetary and Financial Code or (ii) an offer governed by Article L.411-2.1 of the French Monetary and Financial Code, on the basis stipulated below:

   a) Ordinary shares may be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the opening date of the public offer.

   b) The issue price of securities with rights to ordinary shares shall be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

The aggregate nominal amount of shares issued directly or indirectly under this authorisation will be deducted from the amount by which the capital may be increased under the second and third extraordinary resolutions.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

FIFTH EXTRAORDINARY RESOLUTION (Authorisation given to the Board of Directors, for share issues with or without pre-emptive subscription rights for existing shareholders, to increase the number of shares issued)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report, resolves, in accordance with Article L.225-135-1 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the fifth extraordinary resolution of the General Meeting of 5 April 2019.

2. To grant the Board of Directors a 14-month authorisation, from the date of this Meeting, to decide, for any issue carried out pursuant to the first extraordinary resolution of the General Meeting of 5 April 2019 or the second and third extraordinary resolutions of this meeting that is over-subscribed, to increase the number of securities to be issued in order to grant a greenshoe option in line with market practice, in accordance with the above-mentioned Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

SIXTH EXTRAORDINARY RESOLUTION (Blanket ceiling on financial authorisations)

The Extraordinary General Meeting, having considered the Board of Directors' report, resolves to set at €100,000,000 the maximum aggregate nominal amount of ordinary shares that may be issued directly or on exercise of the rights attached to securities with rights to ordinary shares issued under the authorisations given in the first, sixth and seventh extraordinary resolutions of the General Meeting of 5 April 2019 and the second, third, fourth and fifth extraordinary resolutions of this Meeting. This ceiling shall not include the nominal amount of ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares.

SEVENTH EXTRAORDINARY RESOLUTION (Authorisation to be given to the Board of Directors to grant stock options to employees and to the Chairman, the Chief Executive Officer and the Managing Director of the Company, waiver of shareholders' pre-emptive subscription rights for the shares issued on exercise of the options, duration of the authorisation, ceiling, exercise price, maximum life of the options)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report, resolves:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the twelfth extraordinary resolution of the General Meeting of 24 April 2017.

2. To authorise the Board of Directors, in accordance with Articles L.225-177 *et seq.* of the French Commercial Code, or any person to whom this authority may be sub-delegated pursuant to the law, to grant stock options on one or several occasions on the basis set out below.

The options may be granted to employees or corporate officers (within the meaning of Article L.225-185.4, of the French Commercial Code) of the Company or of related companies or entities within the meaning of Article L.225-180 of the French Commercial Code. The grants may be made to all such employees and corporate officers or to selected employees and/or officers.

This authorisation is given for a period of 38 months from the date of this Meeting.

Each option shall be exercisable for one new or existing ordinary share. The total number of options granted under this resolution shall not be exercisable for a number of ordinary shares representing, on the grant date, more than 3% of the Company's share capital as of the date of this Meeting and, within this limit, the number of options granted to corporate officers ("*mandataires sociaux*") shall not be exercisable for a number of ordinary shares representing more than 0.2% of the Company's share capital as of the date of this Meeting. Any shares to be issued to protect the rights of holders of securities carrying rights to shares will not be taken into account for the purpose of determining if these ceilings are met.

If the authorisation is used to grant options exercisable for existing shares, these shares will be purchased by the Company under the share buyback programme authorised in the fourteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the French Commercial Code, or any past or future buyback programme.

The exercise price of stock options granted under this authorisation shall be set by the Board of Directors on the following basis:

- The option exercise price shall represent at least 95% of the average of the prices quoted for SFL shares on NYSE Euronext Paris over the 20 trading days immediately preceding the option grant date. No options may be granted in the 20 trading days that follow the dividend payment date in cash or in shares.
- In addition, if the authorisation is used to grant options exercisable for existing shares, the option exercise price shall not represent less than 80% of the average price paid for the shares held by the Company under the share buyback programme authorised in the fourteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the French Commercial Code, or any past or future buyback programme.

The exercise price will not be adjusted during the life of the options, except in the case of any financial transactions or corporate actions for which the Company is required by law to take the necessary measures to protect option holders' interests. In any such case, the Board of Directors will implement the necessary measures to take into account the effect of the corporate action(s), in accordance with the applicable regulations. In particular, the decision could be made to temporarily suspend the right to exercise the options following a corporate action that gave rise to an adjustment in accordance with Article 225-181.2 of the French Commercial Code or any other financial transaction where the Board considered that it was appropriate to suspend option exercise rights.

Stock options granted under this authorisation shall be exercisable within ten years of the grant date.

The Extraordinary General Meeting notes and resolves that this authorisation automatically entails the waiver by existing shareholders of their pre-emptive right to subscribe for any shares issued on exercise of the options.

The Extraordinary General Meeting gives full powers to the Board of Directors – which may sub-delegate these powers to any person to whom the powers may be delegated pursuant to the law and may be assisted by a committee made up of persons of its choice – within the limits specified above, to:

- Set the performance conditions and any other conditions governing the granting and exercise of the options.
- Decide the dates of the option grants, on the basis and subject to the restrictions prescribed by law.
- Draw up the list of grantees and set the number of options to be granted to each grantee; decide the terms of grant and exercise of the options; specify the conditions governing the exercise of the options and, in particular, decide to limit, restrict or prohibit (a) the exercise of the options, or (b) the sale of the ordinary shares received on exercise of the options, during certain periods or following certain events, with said decision applying to (i) all or some of the options and (ii) all or some of the grantees.
- In the cases provided for by law, take the necessary measures to protect the interests of option holders on the basis provided for in Article L.228-99 of the French Commercial Code.
- Generally, enter into any and all agreements, draw up any and all documents, place on record the capital increases resulting from the exercise of options, amend the Articles of Association to reflect the new capital, carry out any and all reporting and other formalities with any and all organisations and do whatever else is necessary.

EIGHTH EXTRAORDINARY RESOLUTION (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, duration of the authorisation, purposes, terms and conditions, and ceiling)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report, resolves, in accordance with Articles L.225-129-2, L.225-129-6, L.225-138 I and II and L.225-138-1 of the French Commercial Code and Articles L.3332-18 *et seq.* of the French Labour Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the tenth extraordinary resolution of the General Meeting of 5 April 2019.

2. To grant to the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to increase the capital on one or several occasions, in the periods and under the terms and conditions of its choice, by issuing ordinary shares or securities with rights to ordinary shares to employees and retired employees who are members of an SFL Group Employee Share Ownership Plan or by making grants of shares or securities with rights to shares paid up by capitalising reserves, profits or share premiums, within the limits set in the applicable laws and regulations.

3. The aggregate nominal amount of ordinary shares issued under this authorisation, either directly or at a future date, shall not exceed €500,000. This ceiling (i) does not include the nominal amount of any ordinary shares to be issued in respect of adjustments made to protect the rights of holders of securities with rights to ordinary shares and (ii) is independent and separate from all other ceilings on issues of ordinary shares.

   If an issue is not taken up in full, the amount of the issue shall be reduced based on the number of shares or securities effectively subscribed.

4. To waive, in favour of Employee Share Ownership Plan members, the pre-emptive right of existing shareholders to subscribe for the ordinary shares or securities with rights to ordinary shares. In addition, this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

5. That:
   – The discount offered under the Employee Share Ownership Plan shall be set at 30% of the average of the opening prices quoted for SFL shares on NYSE Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period is decided, or 40% of said average if the Plan's lock-up period, as set in accordance with Article L.3332-25 of the French Labour Code, is at least 10 years. The Board of Directors may reduce this discount, at its discretion, in the case of an offer to members of a Group Employee Share Ownership Plan of shares or securities on the international market and/or outside France, to comply with any local laws. It may also replace all or part of the discount with a grant of ordinary shares or securities with rights to ordinary shares on the basis stipulated below.
   – The Board of Directors may make grants of ordinary shares or securities with rights to ordinary shares, provided that the aggregate amount of the benefit resulting from these grants and the discount referred to above, if any, does not exceed the benefit that the Employee Share Ownership Plan members would have received if the shares or securities had been offered to them at a discount of 30%, or 40% if the Plan's lock-up period, as set in accordance with Article L.3332-26 of the French Labour Code, is at least 10 years. In addition, the total benefit including the financial value of the ordinary shares granted without consideration, determined based on the subscription price, must not exceed the legal limits.

6. That the Board of Directors shall have full powers to use this delegation of competence and to:
   – Decide the characteristics, amount and terms of each issue of ordinary shares or securities with rights to ordinary shares and each grant of ordinary shares or other securities.
   – Decide that the ordinary shares or securities will be offered for subscription either directly or through a corporate mutual fund.
   – Draw up, in accordance with the law, the list of companies or other entities whose employees and retired employees will be eligible to subscribe for the ordinary shares or securities with rights to ordinary shares and, if applicable, to receive grants of ordinary shares or securities with rights to ordinary shares.
   – Decide the nature and terms of the capital increase and the terms and conditions of the issue or share grant.
   – Decide the conditions of eligibility in terms of period of service of employees and retired employees to subscribe for the ordinary shares or securities with rights to ordinary shares or to receive grants of ordinary shares or securities with rights to ordinary shares.
   – Set the terms and conditions of the issues of ordinary shares or securities with rights to ordinary shares to be carried out under this delegation, including the cum dividend date and the method of payment of the subscription price.
   – Decide the opening and closing dates of the subscription periods.
   – Place on record the capital increases based on the aggregate nominal amount of the ordinary shares subscribed.
   – Decide, if applicable, the type of securities to be granted, as well as the terms and conditions of grant.
   – Determine, if applicable, the amounts to be capitalised within the limit specified above, the accounts from which said amounts are to be transferred, and the cum dividend date of the ordinary shares issued without consideration.
   – At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
   – Take all necessary measures to implement the capital increases, carry out any and all related formalities, including listing formalities for the new shares, amend the Articles of Association to reflect the new capital and generally do whatever else is necessary.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

NINTH EXTRAORDINARY RESOLUTION (Ratification of the Board of Directors' decision of 6 February 2020 aligning the Company's Articles of Association with current laws and regulations)

The Extraordinary General Meeting, having considered the Board of Directors' report, resolves to ratify the amendments made by the Board of Directors on 6 February 2020 to align the Articles of Association with current laws and regulations, as follows:

1) Concerning the procedure to identify holders of bearer shares:

– Alignment of Article 10 II of the Articles of Association with Article L.228-2 I of the French Commercial Code, as amended by Law 2019-486 dated 22 May 2019 (PACTE Law), which allows information to be requested directly from one or several accredited intermediaries instead of systematically going through the securities clearing house.

– Corresponding amendment to Article 10 II of the Articles of Association, as follows, without any changes to the rest of the Article:
"II. 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 ***or directly to one or several accredited intermediaries referred to in Article L.211-3 of the French Monetary and Financial Code*** *– 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."*

2) Concerning directors' remuneration

– Alignment of Articles 20 *bis*, 22 and 30 of the Articles of Association with Article L.225-45 of the French Commercial Code, as amended by Law 2019-486 dated 22 May 2019 (PACTE Law), which eliminates the concept of directors' fees.

– Corresponding amendments, as follows:
- To Article 20 *bis*, paragraph 4, of the Articles of Association, as follows, without any changes to the rest of the Article:
  "Non-voting directors must own at least 25 Company shares. The Board of Directors may pay the non-voting directors a portion of the ***remuneration*** *that is allocated to it by the General Meeting. It can also authorise any expenses incurred by the non-voting directors in the Company's interest."*
- To the last sentence of Article 22 of the Articles of Association, as follows, without any changes to the rest of the Article:
  "The General Meeting can allocate an annual fixed amount to remunerate directors for their duties. It sets the amount without being bound by earlier decisions with respect to directors' fees."
  "The total amount awarded to the Board of Directors is allocated to the directors at the Board's discretion, ***subject to compliance with the application regulations."***
- To Article 30, paragraph 5, of the Articles of Association, as follows, without any changes to the rest of the Article:
  "It decides on the allocation of directors' ***remuneration*** *among Board members.*

3) Concerning the role of the Board of Directors

– Alignment of the first sentence of Article 20 of the Articles of Association with Article L.225-35.1 of the French Commercial Code, as amended by Law 2019-744 dated 19 July 2019
– Corresponding amendment to the first sentence of Article 20 of the Articles of Association, as follows, without any changes to the rest of the Article:
"The Board of Directors sets the Company's business strategy and oversees its implementation ***in accordance with the corporate interest, taking into account the social and environmental challenges associated with the business.***"

4) Concerning the procedure related to shareholders' written questions to the General Meeting

– Alignment of Article 24, paragraph 4, of the Articles of Association with Article L.225-108.3 of the French Commercial Code, as amended by Law 2019-744 dated 19 July 2019
– Corresponding amendment to Article 24, paragraph 4, of the Articles of Association, as follows:
"Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting ***by the Board or, with the latter's authorisation, one of its members, the Chief Executive Officer or the Managing Director.*** *If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions."*

The rest of Article 24 is unchanged.

TENTH EXTRAORDINARY RESOLUTION (Deletion of Article 17 of the Articles of Association concerning directors' qualifying shares and renumbering of subsequent articles)

The Extraordinary General Meeting, having considered the Board of Directors' report, resolves to delete Article 17 of the Articles of Association concerning the requirement for each director to hold at least 25 shares of the Company, and to renumber the subsequent articles accordingly.

ELEVENTH EXTRAORDINARY RESOLUTION (Amendment of Article 20 *bis* of the Articles of Association to remove the requirement for non-voting directors to hold shares of the Company)

The Extraordinary General Meeting, after considering the Board of Directors' report, resolves to delete the first sentence of the last paragraph of Article 20 *bis* of the Articles of Association concerning the requirement for each non-director to hold at least 25 shares of the Company,

TWELFTH EXTRAORDINARY RESOLUTION (Delegation of authority to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting)

The Extraordinary General Meeting, having considered the Board of Directors' report, gives full powers to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting.

THIRTEENTH 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 13.6 Report of the Board of Directors to the Extraordinary General Meeting

We invite shareholders to adopt the extraordinary resolutions presented below.

In the first series of resolutions, shareholders are invited to renew the delegations of competence given to the Board of Directors to issue shares and securities with rights to shares without pre-emptive subscription rights, together with the related authorisations (authorisation to be given to the Board of Directors to set the price for issues without pre-emptive subscription rights representing no more than 10% of the Company's issued capital per year, greenshoe option for issues that are oversubscribed).

The delegations of competence and authorisations to the same effect adopted by the General Meeting of 5 April 2019, in the second, third, fourth and fifth extraordinary resolutions, were granted for a period of 26 months and have not been used. We propose renewing them in advance in order to take into account the formal modifications introduced in Government order 2019-1067 dated 21 October 2019 and Decree 2019-1097 dated 28 October 2019, which changed the legal provisions concerning public securities offers and certain issues without pre-emptive subscription rights.

These new delegations of competence are being sought for a period of 14 months from the date of this Meeting.

They would enable the Company to swiftly take advantage of market opportunities by carrying out various financial transactions involving the issue of shares without pre-emptive subscription rights for existing shareholders. In light of the wide variety of financial instruments currently available and the rapidly changing market conditions, it is important for the Board to have the greatest possible flexibility in choosing the best type of issue.

For these reasons, we are inviting shareholders to grant delegations of competence or powers to the Board of Directors to issue ordinary shares and/or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, in order to enable the Board to take up opportunities to carry out public offers and private placements in France, abroad and/or on international markets, based on the interests of the Company and shareholders. Depending on the type of securities, the issues could be denominated in euros or in foreign currency or in any monetary unit determined by reference to a basket of currencies.

In three other extraordinary resolutions, shareholders are invited to (i) authorise the Board of Directors to cancel shares acquired under the share buyback programme, (ii) authorise the Board of Directors to grant stock options to the Chairman, the Chief Executive Officer, the Managing Director and the employees of the Company, and (iii) grant a delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan.

Shareholders are also invited to ratify certain amendments to the Articles of Association decided by the Board of Directors on 6 February 2020 pursuant to the authorisation given by the General Meeting of 5 April 2019 in the twelfth extraordinary resolution. The purpose of these amendments is to align the Articles of Association with the new legal provisions contained in the PACTE Law of 22 May 2019 and the Law of 19 July 2019 on the simplification, clarification and updating of French company law. In addition, shareholders will be asked to give the Board of Directors a new authorisation to align the Articles of Association with new legal provisions, subject to certain conditions, in accordance with Article L.225-36.2 of the French Commercial Code.

Lastly, shareholders are invited to amend the Articles of Association to eliminate the obligation for directors and non-voting directors to hold at least 25 shares of the Company, as this is no longer required by the corresponding legal and regulatory texts.

I. Delegations of competence to issue ordinary shares and securities with immediate or deferred rights to ordinary shares

In the second and third extraordinary resolutions, shareholders are asked to grant the Board of Directors a 14-month delegation of competence to issue, without pre-emptive subscription rights for existing shareholders, ordinary shares or securities with immediate or deferred rights to ordinary shares, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-135 and L.225-136. The non-cumulative aggregate nominal amount of ordinary shares issued under the delegations of competence given in the first, sixth and seventh extraordinary resolutions of the General Meeting of 5 April 2019 and those sought in the second, third, fourth and fifth extraordinary resolutions of this Meeting of 3 April 2020, would not exceed €100,000,000.

The Board considers it appropriate to exclude from these delegations of competence:
– Preference share issues.
– Issues of securities with immediate or deferred rights to preference shares.

Shareholders are therefore asked to specifically rule out preference share issues and issues of securities with immediate or deferred rights to preference shares.

I.1 - Issues without pre-emptive subscription rights in connection with a public offer other than an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code (second extraordinary resolution)

a) In the interests of the Company and shareholders, the Board of Directors could, in certain circumstances, want to take up opportunities offered by the financial markets, by carrying out issues without existing shareholders having pre-emptive subscription rights. For this reason, the Board of Directors is asking shareholders in the second extraordinary resolution for a 14-month delegation of competence to issue ordinary shares and securities with rights to shares without pre-emptive subscription rights for existing shareholders.

The aggregate nominal amount of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, would not exceed €100,000,000. This ceiling would not, however, include the nominal amount of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

This authorisation would be used to issue ordinary shares or securities with rights to ordinary shares through a public offer, other than an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code.

Any such public offers (other than offers governed by Article L.411-2.1 of the French Monetary and Financial Code) decided pursuant to the second extraordinary resolution could be linked – in a single issue or several simultaneous issues – to offers to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code that may be decided pursuant to the third extraordinary resolution of this Meeting of 3 April 2020.

The aggregate nominal amount of debt securities issued pursuant to the second extraordinary resolution would not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling (i) would not include any redemption premiums that may be payable on the securities, (ii) would apply to all debt securities that may be issued under this resolution and the third extraordinary resolution tabled at this Meeting of 3 April 2020 as well as the first, sixth and seventh extraordinary resolutions adopted at the General Meeting of 5 April 2019, (iii) is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

b) If shareholders grant this delegation of competence to the Board of Directors and, accordingly, waive their pre-emptive subscription rights, the issue price of any ordinary shares issued under the resolution would be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

This amount would also be the reference price for determining the issue price of securities with deferred rights to ordinary shares: said issue price would be set in such a way that the amount received immediately by the Company plus the amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, would be at least equal to the above amount, adjusted as necessary to take into account differences in cum dividend dates.

On these bases, the Board of Directors would set the issue price of the securities and, in the case of debt securities, the interest terms, in the best interests of the Company and shareholders, taking into account all relevant factors. These would include the type of securities issued, stock market trends and the market for SFL shares, any priority subscription right granted to existing shareholders, market interest rates (in the case of an issue of debt securities), the number of ordinary shares represented by the rights and, generally, all the characteristics of the issued securities. In accordance with Article R.225-119 of the French Commercial Code (adopted in application of Article L.225-136 of said Code), the new ordinary shares would not be issued at a discount of more than 10% to the weighted average share price for the three trading sessions immediately preceding the opening date of the public offer within the meaning of Regulation (EU) 2017/1129 dated 14 June 2017.

However, if shareholders adopt the fourth extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any 12-month period, the Board could choose not to apply the legal pricing rules and to set the issue price by the method stipulated in the fourth extraordinary resolution (see paragraph I.3 below).

c) On these bases, the Board would have the broadest powers to issue ordinary shares and securities with rights to ordinary shares, on one or several occasions without pre-emptive subscription rights, and to set the terms and conditions of each issue, place the share issues on record and amend the Articles of Association to reflect the new capital.

The securities would be placed in accordance with market practices on the issue date. The Board is nevertheless asking shareholders for an authorisation to grant shareholders a non-transferable priority subscription right – if circumstances permit – possibly including a priority right to subscribe for securities not taken up by other shareholders. The conditions of exercise of this right would be determined by the Board in accordance with the law.

If the issue were not taken up in full, including by shareholders, the Board of Directors could (i) limit the amount of the issue to the subscriptions received, provided that the legal conditions were fulfilled, or (ii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

d) In accordance with the law, the Board of Directors could delegate the powers granted by shareholders under the second extraordinary resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to limits to be set by the Board.

I.2 - Issues without pre-emptive subscription rights in connection with an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code (third extraordinary resolution)

a) In the interests of the Company and shareholders, the Board of Directors could, in certain circumstances, want to take up opportunities offered by the financial markets, by carrying out issues without existing shareholders having pre-emptive subscription rights.

For this reason, the Board of Directors is asking shareholders in the third extraordinary resolution for a 14-month delegation of competence to issue ordinary shares and securities with rights to shares without pre-emptive subscription rights for existing shareholders.

The aggregate nominal amount of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, would not exceed €100,000,000. This ceiling would not, however, include the nominal amount of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

The ordinary shares or securities with immediate and/or deferred rights to ordinary shares would be issued through an offer to a restricted group of investors or to qualified investors governed by Article L.411-2.1 of the French Monetary and Financial Code and would be limited to the equivalent of 20% of the issued capital per 12-month period, as calculated from the date of each successive issue. The Board of Directors would check that the 20% limit had not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.

Any such offers governed by Article L.411-2.1 of the French Monetary and Financial Code that may be decided pursuant to the third extraordinary resolution could be linked – in a single issue or several simultaneous issues – to any public offers decided pursuant to the second extraordinary resolution of this Meeting of 3 April 2020.

The aggregate nominal amount of debt securities issued pursuant to the third extraordinary resolution would not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling (i) would not include any redemption premiums that may be payable on the securities, (ii) would apply to all debt securities that may be issued under this resolution and the second extraordinary resolution tabled at this Meeting of 3 April 2020 as well as the first, sixth and seventh extraordinary resolutions adopted at the General Meeting of 5 April 2019, (iii) is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

b) The issue price of ordinary shares would be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

This amount would also be the reference price for determining the issue price of securities with deferred rights to ordinary shares: said issue price would be set in such a way that the amount received immediately by the Company plus the amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, would be at least equal to the above amount, adjusted as necessary to take into account differences in cum dividend dates.

On these bases, the Board of Directors would set the issue price of the securities and, in the case of debt securities, the interest terms, in the best interests of the Company and shareholders, taking into account all relevant factors. These would include the type of securities issued, stock market trends and the market for SFL shares, any priority subscription right granted to existing shareholders, market interest rates (in the case of an issue of debt securities), the number of ordinary shares represented by the rights and, generally, all the characteristics of the issued securities.

In accordance with Article R.225-119 of the French Commercial Code (adopted in application of Article L.225-136 of said Code), the new ordinary shares would not be issued at a discount of more than 10% to the weighted average share price for the three trading sessions immediately preceding the opening date of the offer within the meaning of Regulation (EU) 2017/1129 dated 14 June 2017.

However, if shareholders adopt the fourth extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any 12-month period, the Board could choose not to apply the legal pricing rules and to set the issue price by the method stipulated in the fourth extraordinary resolution (see paragraph I.3 below).

c) On these bases, the Board would have the broadest powers to issue ordinary shares and securities with rights to ordinary shares, on one or several occasions without pre-emptive subscription rights, and to set the terms and conditions of each issue, place the share issues on record and amend the Articles of Association to reflect the new capital.

The securities would be placed in accordance with market practices on the issue date.

If the issue were not taken up in full by investors and shareholders, the Board of Directors could (i) limit the amount of the issue to the subscriptions received, provided that the legal conditions were fulfilled, (ii) place the shares or securities with rights to shares on the market in France and/or abroad and/or on the international market, or (iii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

d) Shareholders should note that under this delegation, the Board would be authorised to take all other necessary measures in connection with or as a result of the issues.

e) In accordance with the law, the Board of Directors could delegate the powers granted by shareholders under the third extraordinary resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to limits to be set by the Board.

I.3 - Issues without pre-emptive subscription rights: setting of the issue price by the Board of Directors by the method decided by shareholders (fourth extraordinary resolution)

In accordance with the alternative rules introduced in Article L.225-136 of the French Commercial Code, in the fourth extraordinary resolution the Board of Directors is seeking a 14-month authorisation (i) to decide not to apply the pricing rules specified by law, as described above, and (ii) to set the price of ordinary shares and securities with rights to ordinary shares issued through a public offer other than an offer governed by Article 411-2.1 of the French Financial and Monetary Code or through an offer to a restricted group of investors or to qualified investors governed by Article 411.2.1 of the French Financial and Monetary Code, by the method described below. This exception would apply only to ordinary share issues representing no more than 10% of the capital (at the date of this Meeting) carried out in any 12-month period under the delegations of competence given in the second and third extraordinary resolutions. For these issues, the following pricing rules would apply:

i) Ordinary shares would be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the pricing date.

ii) The issue price of securities with rights to ordinary shares would be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, was at least equal to the amount defined in i), adjusted as necessary to take into account differences in cum dividend dates.

This authorisation would give the Board of Directors greater flexibility in pricing public offers of ordinary shares issued without pre-emptive subscription rights and thereby increase the chances of the issue being a success.

The aggregate nominal amount of shares issued directly or indirectly under this authorisation would be deducted from the amount by which the capital could be increased under the second and third extraordinary resolutions.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

If and when the authorisation given in the fourth extraordinary resolution was used, the Board and the Statutory Auditors would report to shareholders on the final terms of the issue and on the estimated impact on the situation of existing shareholders.

I.4 - Share issue with or without pre-emptive subscription rights: authorisation to be given to the Board to increase the number of shares issued (fifth extraordinary resolution)

In accordance with the rules introduced in Article L.225-135-1 of the French Commercial Code, in the fifth extraordinary resolution, the Board of Directors is seeking an authorisation to decide, for all issues carried out pursuant to the first extraordinary resolution of the General Meeting of 5 April 2019 (delegation of competence to issue shares and securities with rights to shares with pre-emptive subscription rights) and, second and third extraordinary resolutions tabled at this Meeting of 3 April 2020 (delegations of competence to issue shares and securities with rights to shares without pre-emptive subscription rights through a public offer), to increase the number of securities offered for subscription, on the basis allowed under Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded.

This authorisation would enable the Board to offer additional shares on the same terms as for the original offer, by permitting the exercise of a greenshoe option in the event that an offer is over-subscribed.

In accordance with Article R.225-118 of the French Commercial Code, the Board of Directors would be authorised to decide, within 30 days of the close of the original subscription period for each issue decided pursuant to the first extraordinary resolution of the General Meeting of 5 April 2019 and the second and third extraordinary resolutions tabled at this Meeting of 3 April 2020, to increase the number of shares offered by up to 15% compared to the original offer, provided that this does not result in the ceiling set in the relevant resolution being exceeded.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

I.5 - Blanket ceiling on financial authorisations (sixth extraordinary resolution)

Shareholders are asked to set at €100,000,000 the aggregate nominal amount of ordinary shares issued directly and/or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares under the authorisations sought in the first, sixth and seventh extraordinary resolutions of the General Meeting of 5 April 2019 and the second, third, fourth and fifth extraordinary resolutions tabled at this Meeting of 3 April 2020. The nominal amount of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms would be in addition to this ceiling.

II. Specific authorisations

II.1 - Authorisation to cancel SFL shares acquired under a share buyback programme (first extraordinary resolution)

In relation to the fourteenth ordinary resolution of this Meeting (share buyback programme) 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 fourteenth ordinary resolution or any other 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 its issued capital in any 24-month period.

II.2 - Authorisation to grant stock options to employees and the Chairman, the Chief Executive Officer and the Managing Director of the Company (seventh extraordinary resolution)

The Board is seeking an authorisation – which could be sub-delegated to any person to whom the powers may be delegated pursuant to the law – to grant stock options to the Chairman, the Chief Executive Officer and the Managing Director of the Company and all or selected employees of the Company or of related companies. Each option would be exercisable for one new or existing ordinary share.

This authorisation would enable the Board to reward grantees for their commitment to the Company, by enabling them to become shareholders and thus give them a stake in the Company's development.

If the authorisation was used to grant options on new shares, shareholders would be asked to waive, in favour of the option holders, their pre-emptive right to subscribe for the shares to be issued on exercise of the options.

If the authorisation was used to grant options exercisable for existing shares, these shares would be purchased by the Company under the share buyback programme to be authorised in the fourteenth ordinary resolution of this Meeting of 3 April 2020 or any past or future buyback programme.

The option exercise price would represent at least 95% of the average of the prices quoted for SFL shares on Euronext Paris over the 20 trading days immediately preceding the option grant date. No options would be granted in the 20 trading days that follow the dividend payment date in cash or in shares.

In addition, if the authorisation was used to grant options on existing shares, the option exercise price would not represent less than 80% of the average price paid for the shares held by the Company under the share buyback programme to be authorised in the fourteenth ordinary resolution of this Meeting or any past or future buyback programme.

The exercise price would not be adjusted during the life of the options, except in the case of any financial transactions or corporate actions for which the Company was required by law to take the necessary measures to protect option holders' interests. In any such case, the Board of Directors would implement the necessary measures to take into account the effect of the corporate action(s), in accordance with the applicable regulations. In particular, the decision could be made to temporarily suspend the right to exercise the options following a corporate action that gave rise to an adjustment in accordance with Article 225-181.2 of the French Commercial Code or any other financial transaction where the Board considered that it was appropriate to suspend option exercise rights.

The authorisation is being sought for a period of 38 months from the date of this Meeting of 3 April 2020. The total number of options granted would not be exercisable for a number of ordinary shares representing, on the grant date, more than 3% of the Company's share capital as of the date of this Meeting and, within this limit, the number of options granted to the Chairman, the Chief Executive Officer and the Managing Director would not be exercisable for a number of ordinary shares representing more than 0.2% of the Company's share capital as of the date of this Meeting. Any shares to be issued to protect the rights of holders of securities carrying rights to shares would not be taken into account for the purpose of determining if these ceilings were met.

II.3 - Share issues to employees who are members of an SFL Employee Share Ownership plan (eighth extraordinary resolution)

Article L.225-129-6 of the French Commercial Code stipulates that when companies seek shareholder authorisation to issue shares for cash, they must also table a resolution authorising an employee share issue governed by Articles L.3332-18 *et seq.* of the French Labour Code.

The Board of Directors is therefore seeking a delegation of competence to issue ordinary shares or securities with rights to ordinary shares to employees and retired employees who are members of a Employee Share Ownership Plan set up by the SFL Group, or to make grants of ordinary shares or securities with rights to ordinary shares, to be paid up by capitalising reserves, profits, share premiums or other items. These issues would be governed by the employee share ownership provisions of the French Commercial Code (Articles L.225-129-6, L.225-138 I and II and L.225-138-1) and the French Labour Code (Articles L.3332-18 *et seq.*).

This delegation of competence is being sought for a period of 26 months. The aggregate nominal amount of ordinary shares that could be issued under the authorisation, either directly or at a future date on exercise of rights attached to securities with deferred rights to ordinary shares would be capped at €500,000. This ceiling (i) does not include the nominal amount of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares, and (ii) is independent and separate from all other ceilings on issues of ordinary shares.

The shares would be offered at a discount of 30% or, if the lock-up period provided for in the plan in accordance with Article L.3332-25 of the French Labour Code was 10 years or more, 40% of the average of the opening prices quoted for SFL shares on Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period was decided. However, shareholders could decide to authorise the Board to reduce the discount in the case of an offer to members of a Group Employee Share Ownership Plan of shares or securities on the international market and/or outside France, to comply with any local laws.

The Board would also be authorised to replace all or part of the discount with a free grant of ordinary shares or securities with rights to ordinary shares. The terms of any such grant of ordinary shares or securities with rights to ordinary shares would have to comply with Article L.3332-26 of the French Labour Code.

If shareholders adopt this resolution, they would be required to waive their pre-emptive subscription rights to the ordinary shares or securities with rights to ordinary shares in favour of the employees and retired employees who are members of the Employee Share Ownership Plan. They would also be considered as having automatically waived their pre-emptive right to subscribe for shares issued to these employees and retired employees on exercise of the rights attached to securities with rights to ordinary shares.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II.4 - Cancellation of authorisations and delegations of competence given at the Extraordinary Meetings of 28 April 2017 and 5 April 2019.

If the extraordinary resolutions tabled at this Meeting are adopted by shareholders, the unused portions of the authorisations and delegations of competence to the same effect given to the Board of Directors by the Extraordinary General Meetings of 28 April 2017 and 5 April 2019 will be automatically cancelled.

III. Alignments and amendments of the Articles of Association

III.1 - Ratification of the Board of Directors' decision of 6 February 2020 aligning the Company's Articles of Association with current laws and regulations (ninth extraordinary resolution)

Shareholders are invited to ratify the following alignments of the Articles of Association decided by the Board of Directors on 6 February 2020 pursuant to the authorisation given to the Board by the General Meeting of 5 April 2019 (twelfth extraordinary resolution).

1) Concerning the procedure to identify holders of bearer shares

We propose aligning Article 10 II of the Articles of Association with Article L.228-2 I of the French Commercial Code, as amended by Law 2019-486 dated 22 May 2019 (PACTE Law), which allows information to be requested directly from one or several accredited intermediaries instead of systematically going through the securities clearing house. Shareholders are therefore asked to ratify the following amendment to Article 10 II of the Articles of Association (the rest of the Article is unchanged):
*"II. 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 **or directly to one or several accredited intermediaries referred to in Article L.211-3 of the French Monetary and Financial Code** – 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."*

2) Concerning directors' remuneration

We propose aligning Articles 20 *bis*, 22 and 30 of the Articles of Association with Article L.225-45 of the French Commercial Code, as amended by Law 2019-486 dated 22 May 2019 (PACTE Law), which eliminates the concept of directors' fees.

Shareholders are therefore asked to ratify amendments to the following Articles (the rest of each Article is unchanged):

– Article 20 *bis*, paragraph 4, of the Articles of Association:
"Non-voting directors must own at least 25 Company shares.
The Board of Directors may pay the non-voting directors a portion of the ***remuneration*** that is allocated to it by the General Meeting. It can also authorise any expenses incurred by the non-voting directors in the Company's interest."

– First and last sentences of Article 22 of the Articles of Association:
"The General Meeting can allocate an annual fixed amount to remunerate directors for their duties. It sets the amount without being bound by earlier decisions with respect to directors' remuneration."
*"The total amount awarded to the Board of Directors is allocated to the directors at the Board's discretion, **subject to compliance with the application regulations."***

– Article 30, paragraph 5, of the Articles of Association:
*"It decides on the allocation of directors' **remuneration**."*

3) Concerning the role of the Board of Directors

Shareholders are invited to ratify an amendment to the first sentence of Article 20 of the Articles of Association that was decided in order to align this text with Article L.225-35.1 of the French Commercial Code, as amended by Law 2019-744 dated 19 July 2019, which states that the Board of Directors sets the Company's business strategy and oversees its implementation ***in accordance with the corporate interest, taking into account the social and environmental challenges associated with the business***."

4) Concerning the procedure related to shareholders' written questions to the General Meeting

Article L.225-108 of the French Commercial Code stipulates that the Board of Directors must "*send or make available to shareholders the documents required to enable them to make informed decisions about which way to vote on proposed resolutions and an informed judgement about the management of the Company's business*".

Article L.225-108 also states that shareholders may send written questions to the Chairman of the Board of Directors at the Company's head office, between the date of receipt of these documents and the fourth business day preceding the General Meeting (in accordance with Article R.225-84.2). The Board is required to answer these questions during the General Meeting. Answers are considered as having been provided if they are posted on the Company's website in a Q&A section.

The procedure for answering shareholders' written questions provided for in Article L.225-108.3 of the French Commercial Code has made more flexible by Law 2019-744 dated 19 July 2019 concerning the simplification, clarification and updating of French company law. Under the new rules, the Board of Directors can delegate the task of answering these questions to one of its members, the Chief Executive Officer or the Managing Director.

In light of this, in order to align the Articles of Association with the new provisions of Article L.225-108.3 of the French Commercial Code and pursuant to the authorisation given in the twelfth extraordinary resolution of the General Meeting of 5 April 2019, the Board of Directors decided at its meeting on 6 February 2020 to amend the fourth paragraph of Article 24 of the Articles of Association as follows:
"Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting ***by the Board or, with the latter's authorisation, one of its members, the Chief Executive Officer or the Managing Director.*** *If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions."*

The rest of Article 24 is unchanged.

III.2 - Amendment of the Articles of Association to remove the obligation for the directors and non-voting directors to hold at least 25 shares of the Company (tenth and eleventh extraordinary resolutions)

Article 17 of the Articles of Association states that *"Each director must own at least 25 shares registered in his or her name"*. Likewise, Article 20 of the Articles of Association requires non-voting directors to hold at least 25 shares of the Company.

The purpose of the tenth and eleventh extraordinary resolutions is to ratify the deletion of Article 17 and the amendment of the last paragraph of Article 20 *bis* in order to eliminate the obligation for directors and non-voting directors to hold at least 25 shares of the Company, as this is no long required by the corresponding legal texts (Article L.225-25 of the French Commercial Code).

The subsequent articles of the Articles of Association will be renumbered.

III.3 - Delegation of authority to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting (twelfth extraordinary resolution)

Shareholders are invited to adopt the twelfth extraordinary resolution giving full powers to the Board of Directors to align the Articles of Association with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting.

The Board of Directors

Activities of the Company since 1 January 2020

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 Statutory Auditors' report drawn up in accordance with the applicable laws.

The Board of Directors

Appendix 13.7 – Portfolio at 31 December 2019

Owned properties		Total surface area	Offices (sq.m.)	Retail (sq.m.)	Hotels (sq.m.)	Cinemas/ theatres (sq.m.)	Residential (sq.m.)	Staff restaurants/ fitness centres (sq.m.)	Basements (sq.m.) (file rooms, stock rooms)	Common areas and other (sq.m.)	Parking spaces (number)
1st *arrondissement*	Louvre Saint-Honoré	47,674	25,225	16,000				753	1,363	4,334	236
2nd *arrondissement*	#cloud.paris	35,004	28,192					1,859	1,556	3,397	99
2nd *arrondissement*	6 Hanovre	4,608	3,325						1,246	36	
7th *arrondissement*	103 Grenelle	18,865	15,585	258				1,011	307	1,704	100
8th *arrondissement*	Washington Plaza	48,176	40,220	406				2,557	2,817	2,177	662
8th *arrondissement*	Haussmann Saint-Augustin	13,434	11,683	791					960		104
8th *arrondissement*	Galerie des Champs-Élysées	8,662		4,719					1,819	2,124	125
8th *arrondissement*	90 Champs-Élysées	8,861	7,912	932						17	
8th *arrondissement*	92 Champs-Élysées	7,692	4,110	3,089						493	
8th *arrondissement*	Cézanne Saint-Honoré	29,048	24,437	1,849					1,257	1,504	128
8th *arrondissement*	9 Percier	6,689	5,945						199	545	14
9th *arrondissement*	Condorcet	24,883	20,376				1,562	1,301	1,644		50
9th *arrondissement*	Édouard VII	54,120	28,412	7,331	3,125	8,019	4,509	1,077	1,646		523
12th *arrondissement*	Rives de Seine	22,671	20,270					1,760	641		366
15th *arrondissement*	Biome	24,470*	21,762				719	1,569	419		89
16th *arrondissement*	83 Marceau	9,587*	9,277						310		90
17th *arrondissement*	112 Wagram	5,998	4,470	892					75	562	29
17th *arrondissement*	131 Wagram	9,185	7,100					449	1,104	532	124
Neuilly-sur-Seine	176 Charles de Gaulle	7,381	5,749	389					382	861	145
Issy-les-Moulineaux	Le Vaisseau	6,332	6,026						306		124
Total		**393,340**	**290,075**	**36,656**	**3,125**	**8,019**	**6,791**	**12,337**	**18,054**	**18,284**	**3,008**

* Planned surface area

Consolidated Financial Statements for the Year Ended 31 December 2019

The consolidated financial statements were approved for publication by the Board of Directors on 6 February 2020.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 Dec. 2019	31 Dec. 2018
Intangible assets	IV-1	532	659
Property and equipment	IV-2	20,325	20,834
Investment property	IV-5	7,045,049	6,458,430
Non-current financial assets	VI-5	8,225	820
Other non-current assets	V-4	8,233	32
Total non-current assets		**7,082,364**	**6,480,775**
Trade and other receivables	V-3	78,735	82,351
Other current assets	V-4	234	371
Cash and cash equivalents	VI-6	54,002	25,304
Total current assets		**132,971**	**108,026**
Total assets		**7,215,335**	**6,588,801**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 Dec. 2019	31 Dec. 2018
Share capital		93,058	93,058
Reserves		3,802,389	3,565,162
Profit for the year		589,758	351,636
Equity attributable to owners of the parent		**4,485,205**	**4,009,856**
Non-controlling interests		551,770	502,107
Total non-controlling interests		**551,770**	**502,107**
Total equity	**VII-1**	**5,036,975**	**4,511,963**
Long-term borrowings and derivative instruments	VI-1	1,441,490	1,494,080
Long-term provisions	VIII-1	1,414	1,220
Deferred tax liabilities	X-3	221,571	205,062
Accrued taxes	X-1	5,142	13,368
Other non-current liabilities	V-6	26,870	23,214
Total non-current liabilities		**1,696,487**	**1,736,944**
Trade and other payables	V-5	26,196	25,320
Short-term borrowings and other interest-bearing debt	VI-1	392,814	268,958
Short-term provisions	VIII-1	1,123	1,349
Other current liabilities	V-6	61,740	44,267
Total current liabilities		**481,873**	**339,894**
Total equity and liabilities		**7,215,335**	**6,588,801**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2019	2018
Rental income		**198,710**	**193,509**
Gross property expenses		(42,902)	(43,334)
Property expenses recovered from tenants		33,005	32,561
Property expenses, net of recoveries		(9,897)	(10,773)
Net property rentals	**V-1**	**188,813**	**182,736**
Other income	V-2	9,003	4,009
Depreciation, amortisation and impairment	IV-3	(1,386)	(1,569)
Provision expense, net	VIII-2	(728)	(1,304)
Employee benefits expense	IX-1	(13,682)	(12,788)
Other expenses	V-7	(9,254)	(8,987)
Profit/(loss) on disposal of other assets	IV-4	(3)	(6)
Profit on disposal of investment property		–	22
Fair value adjustments to investment property	IV-5	526,889	289,014
Operating profit		**699,652**	**451,127**
Finance costs and other financial expenses	VI-2	(31,577)	(36,728)
Financial income	VI-2	4,954	4,276
Fair value adjustments to financial instruments	VI-3	(1,181)	(18,987)
Discounting adjustments to receivables and payables		(319)	(548)
Profit before income tax		**671,529**	**399,140**
Income tax expense	X-2-3	(23,809)	(14,494)
Profit for the year		**647,720**	**384,646**
Attributable to owners of the parent		**589,758**	**351,636**
Attributable to non-controlling interests	VII-5	57,962	33,010
Earnings per share	VII-4	€12.74	€7.60
Diluted earnings per share	VII-4	€12.71	€7.59
Other comprehensive income			
Actuarial gains and losses	VIII-1	(57)	8
Other items		–	(15)
Items that will not be reclassified to profit or loss		(57)	(7)
Valuation gains and losses on financial instruments (cash flow hedges)	VI-5	5,697	–
Deferred tax impact of valuation gains and losses on financial instruments		–	–
Items that may be reclassified subsequently to profit or loss		5,697	–
Other comprehensive income/(loss)		**5,640**	**(7)**
Comprehensive income		**653,360**	**384,639**
Attributable to owners of the parent		**595,398**	**351,629**
Attributable to non-controlling interests		57,962	33,010

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 2017	**93,058**	**556,116**	**22,621**	**(18,022)**	**–**	**2,423,898**	**685,284**	**3,762,953**	**476,019**
Movements for the year									
Profit for the year	–	–	–	–	–	–	351,636	351,636	33,010
Other comprehensive income/(loss), net of tax	–	–	–	–	–	(7)	–	(7)	–
Comprehensive income	**–**	**–**	**–**	**–**	**–**	**(7)**	**351,636**	**351,629**	**33,010**
Appropriation of profit	–	–	–	–	–	685,284	(685,284)	–	–
Treasury share transactions	–	–	–	1,446	–	–	–	1,446	–
Gains and losses on sales of treasury shares	–	–	–	(1,741)	–	–	–	(1,741)	–
Share-based payments	–	–	–	–	–	1,952	–	1,952	–
Dividends paid to owners of the parent	–	–	–	–	–	(106,383)	–	(106,383)	(6,922)
Equity at 31 December 2018	**93,058**	**556,116**	**22,621**	**(18,317)**	**–**	**3,004,744**	**351,636**	**4,009,856**	**502,107**
Movements for the year									
Profit for the year	–	–	–	–	–	–	589,758	589,758	57,962
Other comprehensive income/(loss), net of tax	–	–	–	–	5,697	(57)	–	5,640	–
Comprehensive income	**–**	**–**	**–**	**–**	**5,697**	**(57)**	**589,758**	**595,398**	**57,962**
Appropriation of profit	–	–	–	–	–	351,636	(351,636)	–	–
Treasury share transactions	–	–	–	2,774	–	–	–	2,774	–
Gains and losses on sales of treasury shares	–	–	–	(2,393)	–	–	–	(2,393)	–
Share-based payments	–	–	–	–	–	2,282	–	2,282	–
Dividends paid to owners of the parent	–	–	–	–	–	(122,711)	–	(122,711)	(8,299)
Equity at 31 December 2019	**93,058**	**556,116**	**22,621**	**(17,936)**	**5,697**	**3,235,894**	**589,758**	**4,485,205**	**551,770**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2019	2018
Cash flows from operating activities			
Profit for the year attributable to owners of the parent		589,758	351,636
Fair value adjustments to investment property	IV-5	(526,889)	(289,014)
Depreciation, amortisation and impairment	IV-3	1,386	1,569
Net additions to provisions		447	1,100
Net (gains)/losses from disposals of assets, after tax	IV-4	3	(16)
Discounting adjustments and valuation losses on financial instruments		1,500	19,534
Deferral of rent-free years and key money	V-1	3,568	529
Employee benefits	IX-3	2,282	1,952
Non-controlling interests in profit for the year	VII-5	57,962	33,010
Cash flow after finance costs and income tax		**130,017**	**120,300**
Finance costs	VI-2	26,623	32,452
Income tax	X-2-3	23,809	14,494
Cash flow before finance costs and income tax		**180,449**	**167,246**
Change in working capital		6,904	276
Interest paid		(29,048)	(28,827)
Interest received		73	21
Income tax paid		(16,081)	(15,837)
Net cash provided by operating activities		**142,297**	**122,879**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XII	(63,754)	(38,106)
Acquisitions of intangible assets and property and equipment		(754)	(245)
Proceeds from disposals of investment property, intangible assets and property and equipment		1	255
Other cash inflows and outflows		(2,300)	468
Net cash provided by (used by) investing activities		**(66,807)**	**(37,628)**
Cash flows from financing activities			
Purchases and sales of treasury shares, net		381	(295)
Dividends paid to owners of the parent	VII -3	(122,711)	(106,383)
Dividends paid to non-controlling interests		(8,299)	(6,921)
Proceeds from new borrowings		1,509,936	1,269,204
Repayments of borrowings		(1,426,050)	(1,180,350)
Other movements in financing items		(49)	(17,512)
Net cash provided by (used by) financing activities		**(46,792)**	**(42,257)**
Net change in cash and cash equivalents		**28,698**	**42,994**
Cash and cash equivalents at beginning of year		25,304	(17,690)
Cash and cash equivalents at end of year	XII	54,002	25,304
Net change in cash and cash equivalents		**28,698**	**42,994**

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 standards published by the IASB and adopted by the European Union are effective for the period ended 31 December 2019:

- IFRS 16 – Leases. This standard, which replaces IAS 17, requires all leases to be recognised in the financial statements of the lessee, in order to improve visibility of the lessee's assets and liabilities. In the financial statements of the lessor, leases are classified between operating leases and finance leases. The SFL Group does not have any finance leases. The Group has prepared an inventory of its leases under which it is lessee, which have been identified as concerning fewer than a dozen company cars and photocopiers. The estimated full-year impact of applying IFRS 16 is an increase in assets and liabilities of less than €300 thousand, resulting from the recognition of right-of-use assets and lease liabilities for the same amounts. This represents only slightly more than 1% of property and equipment and total other current and non-current liabilities. The above impact is not material.
- Annual Improvements to IFRSs, 2015-2017 cycle. Narrow scope amendments have been made to four IFRSs. The amendment to IAS 23 clarifies how to determine the amount of borrowing costs to be capitalised as part of the cost of an asset when general or specific borrowings are used to fund the asset. The capitalisation rate to be applied to expenditures on the asset corresponds to the weighted average of the borrowing costs applicable to the borrowings of the entity, other than borrowings made specifically for the purpose of obtaining the asset. No funds have been borrowed specifically by the Group to fund qualifying assets.

The following amendments published by the IASB had not yet been adopted by the European Union at 31 December 2019, or had been adopted by the European Union at 31 December 2019 but are effective for periods beginning on or after 1 January 2020:

- Amendments to IAS 1 & IAS 8 – Definition of "material". The IASB has published amendments to its definition of "material" to make it easier for management to exercise judgement when assessing materiality. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
- Narrow scope amendments to IFRS 3 – Definition of a business. These amendments are designed to help entities determine whether they have acquired a business or a group of assets for the purpose of applying IFRS 3 – Business Combinations. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the transaction does not qualify as a business combination.

I - 2) Accounting conventions

The consolidated financial statements are presented in thousands of euros. They include the financial statements of SFL and its subsidiaries. The financial statements of subsidiaries cover the same year as those of SFL and have been prepared according to the same accounting policies. Intragroup 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 control, pursuant to the terms of a shareholders' pact, through ownership of the majority of voting rights or otherwise, are fully consolidated.

The Group has chosen to measure investment property using the fair value model (see Note IV-5).

I - 3) 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 IV-5).

All of the Group's financial instruments are measured using standard market valuation models (see Note VI-4).

II - Significant Events of the Year

II - 1) Redevelopment and renovation programmes

Properties undergoing development at 31 December 2019 represented roughly 18% of the total portfolio. They consist mainly of the Group's current three flagship projects concerning:

- Retail space in the Louvre Saint-Honoré complex, for which the planning appeal process for the new building permit obtained in March 2019 has now ended (the permit is now final). Delivery is scheduled for 2023 under a turnkey lease on over 20,000 sq.m., for which the conditions precedent were fulfilled at the end of 2019. Renovation work is due to begin in the first half of 2020.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.), which will be comprehensively remodelled over the next two years. The planning appeal process for the building permit obtained in May 2018 has ended (the permit is now final), the property has been cleared and prepared for renovation and remodelling work has begun.
- The office building at 83 avenue Marceau (approximately 9,000 sq.m.), which is in the process of being redeveloped, with delivery scheduled for 2021.

No properties were purchased or sold during 2019.

SFL signed leases on more than 56,000 sq.m. in 2019, including 34,000 sq.m. of office space. One of the main new leases concerned the 106 Haussmann building (12,000 sq.m.), which was vacated by the existing tenant at the end of 2019 and has been pre-let to WeWork. New leases on retail space (over 21,000 sq.m.) mainly corresponded to the turnkey lease with the Richemont Group on retail space in the Louvre Saint-Honoré complex, which was taken into account following fulfilment of the conditions precedent.

II - 2) Financing

In June 2019, a €390 million, five-year syndicated revolving line of credit was set up with SFL's banking pool. This new facility cancels and replaces a previous €400 million syndicated revolving line of credit that was reduced to €250 million in 2018 and was due to expire in July 2020.

The negotiable European commercial paper (NEU-CP) programme set up in 2018 was increased during the year from €300 million to €500 million. Issuance under the programme amounted to €387 million at 31 December 2019.

In the third quarter of 2019, new interest rate hedges were set up on a total notional amount of €300 million, allowing the Group to benefit from very attractive interest rates.

All these transactions have enabled the Group to extend the average maturity of its debt while continuing to enjoy historically low average borrowing costs.

II - 3) Subsequent events

None.

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 in accordance with IFRS 8.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2019
Rental income	**163,241**	**33,369**	**2,100**	**–**	**198,710**
Gross property expenses	(34,455)	(7,016)	(1,431)	–	(42,902)
Property expenses recovered from tenants	26,994	5,521	490	–	33,005
Property expenses, net of recoveries	(7,462)	(1,494)	(941)	–	(9,897)
Net property rentals	**155,779**	**31,875**	**1,159**	**–**	**188,813**
Other income	5,980	952	471	1,600	9,003
Depreciation, amortisation and impairment	–	–	–	(1,386)	(1,386)
Provision expense, net	(257)	307	–	(778)	(728)
Employee benefits expense	–	–	–	(13,682)	(13,682)
Other expenses	–	–	–	(9,254)	(9,254)
Profit/(loss) on disposal of other assets	–	–	–	(3)	(3)
Profit on disposal of investment property	–	–	–	–	–
Fair value adjustments to investment property	458,400	55,971	12,518	–	526,889
Operating profit	**619,902**	**89,105**	**14,148**	**(23,503)**	**699,652**
Finance costs and other financial expenses	–	–	–	(31,577)	(31,577)
Financial income	–	–	–	4,954	4,954
Fair value adjustments to financial instruments	–	–	–	(1,181)	(1,181)
Discounting adjustments to receivables and payables	–	–	–	(319)	(319)
Profit before income tax	**619,902**	**89,105**	**14,148**	**(51,626)**	**671,529**
Income tax benefit/(expense)	–	–	–	(23,809)	(23,809)
Profit/(loss) for the year	**619,902**	**89,105**	**14,148**	**(75,435)**	**647,720**
Attributable to owners of the parent	**548,104**	**89,105**	**14,148**	**(61,599)**	**589,758**
Attributable to non-controlling interests	71,798	–	–	(13,836)	57,962
Other comprehensive income					
Actuarial gains and losses	–	–	–	(57)	(57)
Other comprehensive income	–	–	–	–	–
Items that will not be reclassified to profit or loss	–	–	–	(57)	(57)
Valuation gains and losses on financial instruments (cash flow hedges)	–	–	–	5,697	5,697
Deferred tax impact of valuation gains and losses on financial instruments	–	–	–	–	–
Items that may be reclassified subsequently to profit or loss	–	–	–	5,697	5,697
Other comprehensive income	**–**	**–**	**–**	**5,640**	**5,640**
Comprehensive income/(expenses)	**619,902**	**89,105**	**14,148**	**(69,795)**	**653,360**
Attributable to owners of the parent	**548,104**	**89,105**	**14,148**	**(55,959)**	**595,398**
Attributable to non-controlling interests	71,798	–	–	(13,836)	57,962

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2019
Segment assets	5,902,113	1,099,422	114,736	80,750	7,197,021
Unallocated assets	–	–	–	18,314	18,314
Total assets	**5,902,113**	**1,099,422**	**114,736**	**99,064**	**7,215,335**

The segment analysis for the previous year breaks down as follows:

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2018
Rental income	**160,490**	**30,074**	**2,945**	**–**	**193,509**
Gross property expenses	(35,192)	(6,661)	(1,481)	–	(43,334)
Property expenses recovered from tenants	26,354	5,553	654	–	32,561
Property expenses, net of recoveries	(8,838)	(1,108)	(827)	–	(10,773)
Net property rentals	**151,652**	**28,966**	**2,118**	**–**	**182,736**
Other income	2,771	731	441	66	4,009
Depreciation, amortisation and impairment	–	–	–	(1,569)	(1,569)
Provision (expense)/reversals, net	(307)	(348)	–	(649)	(1,304)
Employee benefits expense	–	–	–	(12,788)	(12,788)
Other expenses	–	–	–	(8,987)	(8,987)
Profit/(loss) on disposal of other assets	–	–	–	(6)	(6)
Profit on disposal of investment property	–	22	–	–	22
Fair value adjustments to investment property	257,000	32,113	(99)	–	289,014
Operating profit	**411,116**	**61,484**	**2,460**	**(23,933)**	**451,127**
Finance costs and other financial expenses	–	–	–	(36,728)	(36,728)
Financial income	–	–	–	4,276	4,276
Fair value adjustments to financial instruments	–	–	–	(18,987)	(18,987)
Discounting adjustments to receivables and payables	–	–	–	(548)	(548)
Profit/(loss) before income tax	**411,116**	**61,484**	**2,460**	**(75,920)**	**399,140**
Income tax expense	(5,168)	–	–	(9,326)	(14,494)
Profit/(loss) for the year	**405,948**	**61,484**	**2,460**	**(85,246)**	**384,646**
Attributable to owners of the parent	**366,024**	**61,484**	**2,460**	**(78,332)**	**351,636**
Attributable to non-controlling interests	39,924	–	–	(6,914)	33,010
Other comprehensive income					
Actuarial gains and losses	–	–	–	8	8
Other comprehensive income/(expenses)	–	–	–	(15)	(15)
Items that will not be reclassified to profit or loss	–	–	–	(7)	(7)
Valuation gains and losses on financial instruments (cash flow hedges)	–	–	–	–	–
Deferred tax impact of valuation gains and losses on financial instruments	–	–	–	–	–
Items that may be reclassified subsequently to profit or loss	–	–	–	–	–
Other comprehensive income/(loss)	**–**	**–**	**–**	**(7)**	**(7)**
Comprehensive income/(loss)	**405,948**	**61,484**	**2,460**	**(85,253)**	**384,639**
Attributable to owners of the parent	**366,024**	**61,484**	**2,460**	**(78,339)**	**351,629**
Attributable to non-controlling interests	39,924	–	–	(6,914)	33,010

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2018
Segment assets	5,341,502	1,018,795	98,134	47,740	6,506,171
Unallocated assets	–	–	–	82,630	82,630
Total assets	**5,341,502**	**1,018,795**	**98,134**	**130,370**	**6,588,801**

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.

* **Other Paris:** corresponding to the rest of Paris, outside the Central Business District.

* **Western Crescent:** located to the west of Paris on the other side of the Boulevard Périphérique ring-road, comprising notably Neuilly-sur-Seine, Boulogne-Billancourt, Issy-les-Moulineaux and Levallois-Perret.

These geographic segments have been defined by the main Paris-based real estate professionals by combining neighbourhoods with similar economic features.

IV - Intangible Assets, Property and Equipment, and Investment Property

IV - 1) Intangible assets

Accounting policy

Intangible assets correspond mainly to purchased software and software development costs incurred in connection with the Group's systems upgrades, accounted for in accordance with IAS 38.
Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.
Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually (in accordance with IAS 36) or more frequently if there is an indication that they may be impaired.
Software development costs for the main projects are amortised over the software's expected period of use from the date it is put in production. Other software development costs are amortised over the year in which they are capitalised.

(in thousands of euros)	31 Dec. 2018	Increases	Decreases	Reclassifications	31 Dec. 2019
Cost					
Computer software	6,701	–	–	49	6,750
Other	910	343	–	(49)	1,204
Amortisation and impairment					
Computer software	(6,504)	(131)	–	–	(6,635)
Other	(448)	(339)	–	–	(787)
Carrying amount	**659**	**(127)**	**–**	**–**	**532**

IV - 2) Property and equipment

Accounting policy

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.

Washington Plaza owner-occupied property:

Shell	105 to 118 years
Roof, windows, doors	8 to 24 years
Fixtures, fittings and installations	5 to 29 years

Other:

Fixtures and installations	2 to 20 years
Fittings and equipment	5 to 10 years
Computer and other equipment	2 to 5 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.

(in thousands of euros)	31 Dec. 2018	Increases	Decreases	Reclassifications	31 Dec. 2019
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other property and equipment	5,982	410	(131)	–	6,261
Depreciation and impairment					
Owner-occupied property	(3,141)	(366)	–	–	(3,507)
Other property and equipment	(3,245)	(550)	128	–	(3,667)
Carrying amount	**20,834**	**(506)**	**(3)**	**–**	**20,325**

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €48,291 thousand at 31 December 2019 and €43,261 thousand at 31 December 2018.

IV - 3) Depreciation, amortisation and impairment

(in thousands of euros)	2019	2018
Amortisation and impairment of intangible assets	(470)	(707)
Depreciation and impairment of property and equipment	(916)	(862)
Total	**(1,386)**	**(1,569)**

Amortisation and impairment of intangible assets relate to computer software. Depreciation and impairment of property and equipment concern owner-occupied property (corresponding to the Company's headquarters) and other property and equipment.

IV - 4) Profit/(loss) on disposal of other assets

The loss on disposal of other assets in 2019 arose mainly from sales of small items of furniture.

IV - 5) Investment property

Accounting policy

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.
Acquisitions of property companies that do not meet the definition of a business combination under IFRS 3 are treated as direct acquisitions of the underlying investment property.
The properties are initially recognised at cost. SFL has chosen to measure investment property in subsequent periods using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment property is measured at fair value and gains or losses arising from changes in fair value are recognised in profit or loss. Investment property is 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 property 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 income statement under "Fair value adjustments to investment property", are calculated as follows:
Change in fair value = Market value at the year-end – Market value at the prior year-end – Work and other costs capitalised during the year.
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.
Investment property is reclassified as held for sale when the sale has been decided by the Board of Directors or a selling agent has been appointed. It continues to be measured at fair value after reclassification in accordance with IFRS 5.

Valuation method

The Group's entire property portfolio was valued at 31 December 2019 by CBRE and Cushman & Wakefield.

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 four-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 at half-yearly intervals by a group of two independent firms, each of which is responsible for valuing part of the total portfolio as follows (the percentages below are determined by reference to the total value of the properties, excluding transfer costs):
– Cushman & Wakefield: 58%
– CBRE: 42%

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 valuers' fees are agreed before the appraisal process begins and do not depend in any way on the value of the properties to be appraised. They are determined at a flat rate based exclusively on the number of properties to be valued and the complexity of the appraisal process. Fees paid to the valuers in 2019 other than for half-yearly property appraisals amounted to €366 thousand, and mainly relate to project management services provided by Jones Lang LaSalle, which contributed to the valuations at 30 June.

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 year beyond the lease expiry dates, any rent-free years 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, according to 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 year 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. The value of assets in the process of being redeveloped or renovated includes the estimated cost of completing the work.

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 year-end.

The appraisal values are quoted both including transfer costs (calculated on the basis of a standard 7.5% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs and acquisition expenses.

Fair value measurement of investment property

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 property takes into account this definition of fair value.

In IFRS 13, fair value measurements are categorised into a three-level hierarchy. Level 3 concerns 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 property, the most meaningful inputs, particularly market rents, investment yields and/or discount rates, represent Level 3 inputs.

(in thousands of euros)	31 Dec. 2018	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	31 Dec. 2019
Investment property	6,458,430	59,730	528,491	–	(1,602)	–	7,045,049
Total	**6,458,430**	**59,730**	**528,491**	**–**	**(1,602)**	**–**	**7,045,049**

Reconciliation of the appraisal value of investment property to their fair value in the statement of financial position:

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Appraisal value of investment property, excluding transfer costs	7,157,690	6,569,609
Deduction of owner-occupied property (see Note IV-2)	(48,291)	(43,261)
Adjustments to reflect specific lease terms and other adjustments	(64,350)	(67,917)
Fair value of investment property in the statement of financial position	**7,045,049**	**6,458,430**

The table below shows the fair value measurement inputs for each asset class:

Geographic area	Value excluding transfer costs 31 December 2019 (in € millions, on a 100% basis)	Inputs	Range of values(1)	Weighted average(1)
Paris Central Business District	5,944	Market rent for offices	€630 - €840	€755
		Exit yield	2.90% - 3.20%	3.15%
		Discount rate	3.90% - 4.70%	4.12%
Other Paris	1,099	Market rent for offices	€548 - €736	€613
		Exit yield	3.20% - 3.60%	3.44%
		Discount rate	4.10% - 5.80%	4.64%
Western Crescent	115	Market rent for offices	€313 - €523	€462
		Exit yield	3.64% - 4.95%	4.01%
		Discount rate	4.50% - 5.95%	4.91%
Total	**7,158**			

(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 €566,829 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 €667,713 thousand.

V - Operating Activities

V - 1) Net property rentals

Accounting policy

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:

Rental income
Rental income from investment property is recognised on a straight-line basis over the fixed lease term. The transfer of economic benefits corresponds to the date stipulated in the contract, or to the tenant's entry date if stipulated in the contract. Rental income also comprises income from external management contracts.

Specific lease terms
Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation. In compliance with IFRS 16, 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 capitalised as part of the cost of the asset.

Property expenses
Following a more detailed analysis of the principal versus agent distinction under IFRS 15, the Group concluded that it acts as principal. Accordingly, it now presents gross property expenses separately from property expenses recovered from tenants in the statement of comprehensive income.

The Group's principal business is the rental of office and retail properties. Net property rentals take into account the negative impact of recognising rent-free periods and rent step-ups over the non-cancellable lease term. In 2019, this impact was €3,568 thousand. Revenue from external management contracts amounted to €10,874 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 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due beyond 5 years
Rental income	**1,081,928**	**183,585**	**156,885**	**127,007**	**108,260**	**81,530**	**424,661**

V - 2) Other income

(in thousands of euros)	2019	2018
Own-work capitalised	1,490	58
Other income	7,513	3,951
Total	**9,003**	**4,009**

The caption "Other income" corresponds mainly to rental repairs and other work billed to tenants.

V - 3) Trade and other receivables

Accounting policy

Trade receivables are initially recognised at amortised cost, corresponding to the initial invoice amount. Upon origination, the receivables are written down using the simplified expected loss-to-maturity model, in accordance with IFRS 9. The model is based on observed actual historical losses and projections of expected future losses taking into account identified risk factors. In subsequent periods, the collection risk is systematically reviewed on a case-by-case basis, and a loss allowance is recorded if necessary to reflect the incurred risk.

(in thousands of euros)	31 Dec. 2019			31 Dec. 2018
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	69,364	19,250	50,114	74,261
Provisions	(1,417)	(194)	(1,223)	(1,575)
Trade receivables	**67,947**	**19,056**	**48,891**	**72,686**
Prepayments to suppliers	63	63	–	27
Employee advances	11	11	–	19
Tax receivables (other than income tax)	8,430	8,430	–	7,393
Other operating receivables	1,773	1,773	–	1,994
Other receivables	511	511	–	232
Other receivables	**10,788**	**10,788**	**–**	**9,665**
Total	**78,735**	**29,844**	**48,891**	**82,351**

Trade receivables include outstanding receivables and receivables relating to the recognition of rent-free periods and other special lease terms in accordance with IFRS for an amount of €64,350 thousand (of which €16,382 thousand is due within one year). Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	2019	2018
Increases in provisions	(323)	(242)
Reversals of provisions	41	38
Bad debt write-offs, net of recoveries	(3)	(5)
Total	**(285)**	**(209)**
Rental income	198,710	193,509
Net losses as a % of rental income	**0.14%**	**0.11%**

V - 4) Other current and non-current assets

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Deferred tax assets	–	32
Prepayments	8,233	–
Total other non-current assets	**8,233**	**32**
Income tax prepayments	173	158
Prepayments	61	213
Total other current assets	**234**	**371**

Prepayments recorded under “Non-current assets” concern redevelopment work on the 83 Marceau property.

V - 5) Trade and other payables

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Trade payables	8,247	6,697
Amounts due within one year on asset acquisitions	17,949	18,623
Total	**26,196**	**25,320**

V - 6) Other current and non-current liabilities

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Deposits	26,870	23,214
Total other non-current liabilities	**26,870**	**23,214**
Deposits	14,425	2,207
Customer prepayments	22,800	19,997
Accrued employee benefits expense	5,494	5,157
Accrued taxes	13,771	12,648
Other liabilities	4,794	3,682
Accruals	456	576
Total other current liabilities	**61,740**	**44,267**

The caption "Deposits" corresponds mainly to guarantee deposits and bonds received from tenants.
Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.
Accrued taxes include the exit tax instalments due in 2020 and related to the 131 Wagram and Biome buildings, for a total of €8,450 thousand.
The amounts reported under "Accruals" correspond to deferred revenue.

V - 7) Other expenses

(in thousands of euros)	2019	2018
Fees	(1,640)	(1,726)
Taxes other than on income	(2,840)	(2,521)
Other	(4,774)	(4,740)
Total	**(9,254)**	**(8,987)**

Fees paid to the Auditors in 2019 were as follows:

(in thousands of euros)	2019		2018	
	PricewaterhouseCoopers	Deloitte & Associés	PricewaterhouseCoopers	Deloitte & Associés
Statutory and contractual audits	323	241	318	236
Other services	33	19	52	44
Total	**356**	**260**	**370**	**280**

Fees for other services mainly concern the review of the translation of financial information and the review, at SFL's request, of environmental information.

VI - Financing Activities

VI - 1) Borrowings and other interest-bearing debt

Accounting policy

Loans and borrowings are initially recognised at fair value, corresponding to 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.

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

(in thousands of euros)			31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	Effective interest rate	Expiry date	Short-term portion		Long-term portion	
Bonds						
€350 million bond issue, 2014-2021	1.875%	26 Nov. 2021	647	647	350,000	350,000
€350 million bond issue, 2015-2022	2.25%	16 Nov. 2022	992	993	350,000	350,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	4,459	4,459	500,000	500,000
Bank loans						
BNP Paribas 2016	Euribor + spread	24 May 2021	–	40	–	50,000
Natixis – Deka – Deutsche Hypotheken	1.571%	16 July 2022	2,619	2,625	197,080	199,160
Negotiable European commercial paper (NEU-CP)	Fixed rate (payable in advance)	Due within 1 year	386,500	262,500	–	–
Interest rate swaps						
CA-CIB 5-year swap	0.23%	28 Nov. 2022	60	52	1,605	989
Current account advances (liabilities)	Various		23	40	49,866	52,246
Impact of deferred recognition of debt arranging fees			(2,486)	(2,398)	(7,061)	(8,315)
Total			**392,814**	**268,958**	**1,441,490**	**1,494,080**

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2019	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2018
Bonds	1,206,098	6,098	700,000	500,000	1,206,099
BNP Paribas 2016	–	–	–	–	50,040
Natixis/Deka/Deutsche Hypothekenbank	199,699	2,619	197,080	–	201,785
Negotiable European commercial paper (NEU CP)	386,500	386,500	–	–	262,500
CA-CIB 5-year swap	1,665	60	1,605	–	1,041
Current account advances (liabilities)	49,889	23	49,866	–	52,286
Deferred debt arranging fees	(9,547)	(2,486)	(6,707)	(354)	(10,713)
Total	**1,834,304**	**392,814**	**941,844**	**499,646**	**1,763,038**

Current account advances correspond to Predica's minority interest in SCI Washington.

Debt covenants and acceleration clauses in force at 31 December 2019 concerned the following lines of credit: Société Générale, BECM, BNP Paribas, Cadif and Banque Postale. They can be broken down as follows:

Applicable ratios	Actual ratios at 31 Dec. 2019	Actual ratios at 31 Dec. 2018	Main acceleration clauses
Loan-to-value (LTV) <= 50%	22.7%	24.1%	Loan default Termination of operations
Interest cover >= 2x	6.6	5.1	Bankruptcy proceedings
Secured LTV <= 20%	2.6%	2.9%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€6.5bn	€6.0bn	Material adverse event

The Group was not in breach of any of its financial covenants at 31 December 2019.

VI - 2) Finance costs and other financial income and expenses

(in thousands of euros)	2019	2018
Interest on bank loans, bonds and commercial paper	(28,090)	(31,689)
Interest on external current account advances	(133)	(156)
Hedging losses	(585)	(561)
Other financial expenses	(2,769)	(4,322)
Finance costs and other financial expenses	**(31,577)**	**(36,728)**
Interest income	73	21
Financial expense transfers	4,881	4,255
Financial income	**4,954**	**4,276**
Finance costs and other financial income and expenses, net	**(26,623)**	**(32,452)**

Financial expense transfers correspond to finance costs capitalised at the rate of 1.44% during the redevelopment of the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

VI - 3) Financial instruments

Accounting policy

The Group uses derivative instruments such as interest rate swaps and caps to hedge the risk of changes in interest rates. These instruments are measured at fair value at each year-end. Instruments acquired as cash flow hedges are eligible for hedge accounting. The portion of the gain or loss on these instruments that is determined as being an effective hedge is recognised directly in equity and the ineffective portion is recognised through profit or loss. 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 through profit or loss. The cumulative gains and losses on the instrument recorded in equity at that date are reclassified ("recycled") to the income statement over the remaining life of the hedged item.
For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised through profit or loss.
Standard market valuation methods are used – corresponding to Level 2 inputs in the fair value hierarchy (see Note IV-5) – taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.

At 31 December 2019, derivatives held by the Group included:

- A 5-year swap set up with CA-CIB (variable rate swapped for a fixed rate of 0.23%) on a notional amount of €100,000 thousand. The swap came into effect on 28 November 2017 and is measured at fair value through profit or loss.
- A 5-year forward swap set up with CIC (variable rate swapped for a fixed rate of -0.3475%) on a notional amount of €100,000 thousand. The swap will come into effect on 26 November 2021 and qualifies for hedge accounting as a cash flow hedge.
- A 5-year forward swap set up with CIC (variable rate swapped for a fixed rate of -0.4525%) on a notional amount of €100,000 thousand. The swap will come into effect on 26 November 2021 and qualifies for hedge accounting as a cash flow hedge.
- A 7-year collar set up with Société Générale (the option writer) on a notional amount of €100,000 thousand, with a 0% cap and a -0.7525% floor. No premium is payable on this collar which was set up on 4 September 2019. It is a cash flow hedge qualifying for hedge accounting.

The Group previously held a 5-year 0.25% cap set up with Cadif (the option writer) on a notional amount of €100,000 thousand. The cap came into effect on 16 November 2017 and the position was unwound in September 2019. It was measured at fair value through profit or loss.

Hedging instruments at fair value

At 31 December 2019, the fair value of hedging instruments amounted to €4,092 thousand, breaking down as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2019	31 Dec. 2018
CA-CIB 0.23% swap	100,000	Nov. 2022	(1,605)	(989)
CA-CIB swap at -0.3475%	100,000	Nov. 2026	1,877	–
CIC swap at -0.4525%	100,000	Nov. 2026	2,416	–
Société Générale collar 0%/-0.7525%	100,000	Sept. 2026	1,404	–
Cadif 0.25% cap	100,000	Sept. 2019	–	591
Total			**4,092**	**(398)**

Fair value adjustments to financial instruments

In 2019, fair value adjustments to hedging instruments not qualifying for hedge accounting represented a loss of €1,181 thousand that was recognised through profit or loss.

(in thousands of euros)	2019	2018
Bond retirement penalties	–	(17,156)
Interest rate hedges	(1,181)	(1,831)
Total	**(1,181)**	**(18,987)**

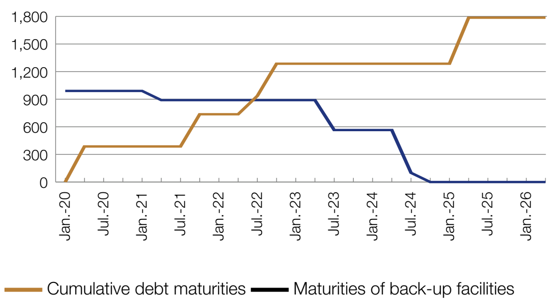
VI - 4) Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2019, SFL had access to confirmed undrawn lines of credit representing €990 million compared with €920 million at 31 December 2018. 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 July 2022.

LIQUIDITY RISK



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-1.

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 risks are minimised by keeping cash surpluses to a minimum. 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

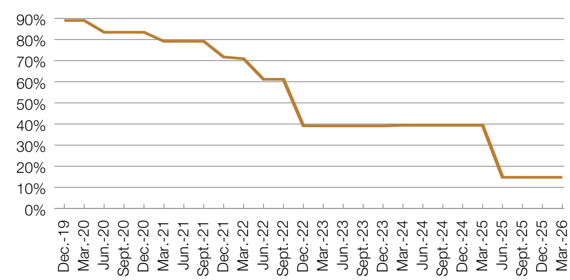
The Group did not have any exposure to currency risk at 31 December 2019. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently 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.

At 31 December 2019, 89% of debt was hedged against interest rate risks.

SFL DEBT HEDGING RATE 2019-2025



b/ Risk assessment

The average spot cost of debt stood at 1.37% at 31 December 2019, versus 1.49% at 31 December 2018.

A 50-basis point rise in interest rates across the yield curve in 2019 would have had the effect of increasing the average cost of debt to 1.45%, driving up finance costs for the year by €1,429 thousand or 4.52%. A 50-basis point decline in interest rates across the yield curve would have had the effect of decreasing the average cost of debt to 1.30%, reducing finance costs for the year by €1,250 thousand or 3.96%.

Concerning hedging instruments, a 50-basis point increase in interest rates would have had the effect of increasing the fair value of hedging instruments by €8,266 thousand at 31 December 2019, while a 50-basis point decrease would have had the effect of reducing their fair value by €8,284 thousand.

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 2019.

(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
Negotiable European commercial paper (NEU-CP)	386,500	–	–	–	–	–	386,500
Current account advances	–	49,866	–	–	–	–	49,866
Total floating rate debt	**386,500**	**49,866**	**–**	**–**	**–**	**–**	**436,366**

The other financial instruments used by the Group are not listed in the table above because they do not bear interest or are not exposed to any interest rate risk.

Fair value of bonds

The fair value of the Group's outstanding bond issues at 31 December 2019 was €1,254,543 thousand, as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2019	31 Dec. 2018
November 2014 bonds	350,000	Nov. 2021	360,810	362,607
November 2015 bonds	350,000	Nov. 2022	369,588	368,298
May 2018 bonds	500,000	May 2025	524,145	491,425
Total	**1,200,000**		**1,254,543**	**1,222,330**

VI - 5) Financial assets

Accounting policy

Non-current financial assets comprise deposits paid to third parties and derivative instruments.
They are initially recognised at fair value, generally corresponding to their purchase price plus transaction costs.
The accounting treatment of derivative instruments is presented in Note VI-3.

(in thousands of euros)	31 Dec. 2018	Increases	Impairment losses recognised during the year	Decreases	Impairment losses reversed during the year	31 Dec. 2019
Deposits	229	2,300	–	–	–	2,529
Interest rate hedges	591	5,697	–	(591)	–	5,697
Total	**820**	**7,997**	**–**	**(591)**	**–**	**8,225**

Deposits include a €2,300 thousand deposit paid by Parhaus.
Hedging instruments with a positive fair value recognised in assets totalled €5,697 thousand at 31 December 2019 (see Note VI-3).
The instruments concerned are cash flow hedges qualifying for hedge accounting.

VI - 6) Cash and cash equivalents

Accounting policy

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.

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Cash at bank and in hand	54,002	25,304
Total	**54,002**	**25,304**

VII - Equity and Earnings Per Share

VII - 1) Equity

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.
The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

VII - 2) Treasury shares

Accounting policy

Acquisitions, disposals and cancellations of treasury shares are recorded as a deduction from equity.

(in thousands of euros)	31 Dec. 2018	Increases	Decreases	31 Dec. 2019
Number of treasury shares	274,274	27,685	(79,772)	222,187
Average purchase/sale price, in euros	€66.69	€66.86	€57.98	€69.84
Total	**18,290**	**1,851**	**(4,625)**	**15,516**

VII - 3) Dividends

(in thousands of euros)	2019		2018	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	122,711	€2.65	106,383	€2.30
Total	**122,711**	**€2.65**	**106,383**	**€2.30**

VII - 4) 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 year, net of treasury shares held at the year-end.
Diluted 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 year, net of treasury shares held at the year-end, as adjusted for the dilutive effect of outstanding performance shares awarded to employees and corporate officers.

(in thousands of euros)	2019	2018
Profit used to calculate basic earnings per share	589,758	351,636
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares	(222,187)	(274,274)
Weighted average number of ordinary shares excluding treasury shares	**46,306,787**	**46,254,700**
Basic earnings per share	**€12.74**	**€7.60**
Profit used to calculate basic earnings per share	589,758	351,636
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares	(222,187)	(274,274)
Effect of dilutive instruments on the average number of shares	80,285	76,983
Diluted weighted average number of ordinary shares excluding treasury shares	**46,387,072**	**46,331,683**
Diluted earnings per share	**€12.71**	**€7.59**

There were no other transactions on ordinary shares or potential ordinary shares between the year-end and the date when these financial statements were drawn up.

VII - 5) Non-controlling interests in net profit

(in thousands of euros)	2019	2018
SCI Washington	**28,447**	**17,396**
Rental income	*7,905*	*7,862*
Fair value adjustments to investment property	*20,423*	*9,607*
Net financial expense	*(127)*	*(151)*
Other	*246*	*78*
Parholding subgroup	**29,515**	**15,614**
Rental income	*15,343*	*14,986*
Fair value adjustments to investment property	*27,179*	*10,357*
Net financial expense	*(1,745)*	*(1,766)*
Deferred tax	*(8,255)*	*(3,543)*
Current tax	*(3,265)*	*(3,600)*
Other	*256*	*(820)*
Total	**57,962**	**33,010**

VIII - Provisions

VIII - 1) Short and long-term provisions

Accounting policy

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. 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.
Provisions for contingencies and charges are determined using Management estimates and assumptions based on information and circumstances existing at the time of the preparation of the financial statements, and therefore require the use of judgement.
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 income statement, the provision expense is presented net of the amount recognised for the reimbursement.

(in thousands of euros)	31 Dec. 2018	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	31 Dec. 2019
Provisions for employee benefits	1,220	820	(35)	*(35)*	57	(648)	1,414
Long-term provisions	**1,220**	**820**	**(35)**	***(35)***	**57**	**(648)**	**1,414**
Provisions for refurbishment work and tenant claims	475	–	–	–	–	–	475
Provisions for taxes other than on income	332	–	(332)	–	–	–	–
Provisions for employee benefits	542	–	(542)	–	–	648	648
Short-term provisions	**1,349**	**–**	**(874)**	**–**	**–**	**648**	**1,123**
Total	**2,569**	**820**	**(909)**	***(35)***	**57**	**–**	**2,537**

Provisions for employee benefits include provisions for length-of-service awards payable to 1 employees on retirement and jubilees for €1,018 thousand. See Note IX-2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €29 thousand at 31 December 2019 and €21 thousand at 31 December 2018.

VIII - 2) Provision (expense)/reversals, net

(in thousands of euros)	2019	2018
Charges to provisions for impairment of current assets	(323)	(242)
Charges to provisions for operating contingencies and charges	(727)	(980)
Charges to provisions for other contingencies and charges	(93)	(120)
Total charges	**(1,143)**	**(1,342)**
Reversals of provisions for impairment of current assets	41	38
Reversals of provisions for other contingencies and charges	374	–
Total reversals	**415**	**38**
Total	**(728)**	**(1,304)**

IX - Remuneration and Other Employee Benefits

IX - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	2019	2018
Wages and salaries	(6,790)	(6,779)
Payroll taxes	(3,655)	(3,560)
Other employee benefits	(2,331)	(1,952)
Statutory and discretionary profit-sharing	(906)	(497)
Total	**(13,682)**	**(12,788)**

The average number of administrative staff breaks down as follows:

	2019	2018
Officers	2	2
Managers	58	54
Supervisors	11	12
Administrative and technical staff	1	2
Total	**72**	**70**

The Group also had two building staff at 31 December 2019 and 2018.

IX - 2) Length-of-service awards payable to employees on retirement

Accounting policy

IAS 19R requires companies to recognise all of their employee benefit liabilities in the statement of financial position. Employee benefit plan costs are recognised over the vesting period. The main employee benefit plans concern length-of-service awards payable to employees on retirement.

Measurement method

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 year.

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.

(in thousands of euros)	2019	2018
Projected benefit obligation at 1 January	**902**	**872**
Benefits paid during the year	(35)	(54)
Service cost	83	83
Interest cost	11	9
Actuarial gains and losses	57	(8)
Projected benefit obligation at 31 December	**1,018**	**902**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 0.69% (31 December 2018: 1.57%) and a 2.00%-rate of future salary increases (31 December 2018: 2.20%). Actuarial gains and losses are recognised in equity.

A 25-bps reduction in the discount rate at 31 December 2019 would lead to a €19 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 20, 30, 35 and 40 years of service with the SFL Group, and one month's salary to building staff who complete 25 years of 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.

IX - 3) Share-based payments

Accounting policy

IFRS 2 requires all share-based payment transactions to be recognised in the income statement.

Measurement method

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 performance share plans at 31 December 2019

	Plan no. 4	Plan no. 5	Plan no. 5
Date of shareholder authorisation	13 Nov. 2015	20 April 2018	20 April 2018
Grant date (date of Board meeting)	03 March 2017	20 April 2018	15 Feb. 2019
Initial target number of shares	33,376	33,592	32,948
Initial expected vesting rate	70.83%	100.00%	100.00%
Initial number of shares expected to vest	23,640	33,592	32,948
Fair value per share	€42.61	€48.64	€54.00
Rights cancelled/forfeited	(2,380)	(1,640)	(212)
Expected vesting rate at end of year	150.00%	100.00%	100.00%
Number of shares expected to vest at end of year	**46,494**	**31,952**	**32,736**

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 15 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 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 2019, the rates applied were 150% for the 2017 plan (probable ranking: no. 1) and 100% for the 2018 and 2019 plans (probable ranking: no. 3).

During first-half 2019, a total of 46,302 performance shares vested under 2016 Plan no. 4.

The cost of performance share plans recognised in 2019 amounted to €2,282 thousand (excluding specific employer contributions).

IX - 4) Related party information

The remuneration paid to the members of the Board of Directors and corporate officers breaks down as follows:

(in thousands of euros)	2019	2018
Short-term benefits, excluding payroll taxes(1)	2,928	3,215
Payroll taxes on short-term benefits	1,661	1,272
Share-based payments(2)	1,518	1,311
Directors' fees	591	713
Total	**6,698**	**6,511**

(1) Gross salary and other remuneration, bonuses, statutory and discretionary profit-sharing, matching Company payments and termination benefits paid during the year.
(2) Cost recognised in the income statement for stock options and employee rights issues.

At 31 December 2019, related-party transactions comprised current account advances representing the share of the minority shareholder, Predica, in SCI Washington (see Note VI-1).

X - Income Taxes

X - 1) Current and deferred tax liabilities

Accounting policy

Non-current liabilities with fixed maturities are discounted.

Measurement method

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".

Due	2021	Total
Amount payable	**5,142**	**5,142**

This caption corresponds mainly to the long-term portion of the exit tax due as a result of the election for the Biome building to be included in assets taxed under the SIIC regime in December 2017. The €21 million tax liability is payable in four annual instalments between 2018 and 2021 and has been discounted.

The outstanding exit tax payable on 15 May 2020 in respect of the 131 Wagram property has been recorded within accrued taxes under other current liabilities.

X - 2) Income tax expense

Accounting policy

The results of businesses subject to income tax are taxed at the standard rate. 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.

Current income tax expense for 2019 amounted to €7,268 thousand (2018: €7,371 thousand) and mainly concerned the Parholding tax group.

X - 3) Deferred taxes

Accounting policy

For businesses subject to income tax, deferred tax assets and liabilities are recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis.

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 companies in the Parholding sub-group that are not eligible for taxation as SIICs.

Deferred tax assets and liabilities are calculated for all temporary differences using the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, i.e., 31% and 25% following enactment of France's 2018 Finance Act providing for a gradual reduction in the corporate income tax rate from 33.33% to 25%. If the criteria for applying either of the above rates are not fulfilled, the tax rate at the year-end is used, i.e., 31%.

Deferred tax calculations do not take into account the increase in the corporate income tax rate from 31% to 33.33% for 2019, decided in July 2019, because the increase only applies to companies with revenue of at least €250 million.

(in thousands of euros)	Statement of Financial Position 31 Dec. 2018	Reclassifications	Equity	Income statement	Statement of Financial Position 31 Dec. 2019
Fair value adjustments to investment property	(177,259)	–	–	(14,038)	(191,297)
Adjustment of depreciation	(24,958)	–	–	(2,293)	(27,251)
Adjustment of property rentals	(1,419)	–	–	138	(1,281)
Capitalisation of interest expense and transaction costs	(521)	–	–	–	(521)
Other	(873)	–	–	(348)	(1,221)
Net	**(205,030)**	**–**	**–**	**(16,541)**	**(221,571)**
Of which deferred tax assets	32	–	–	(32)	–
Of which deferred tax liabilities	(205,062)	–	–	(16,509)	(221,571)

XI - Off-Balance Sheet Commitments

XI - 1) Operations-related commitments

Guarantees

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
Property guarantees	110	110	–	–
Commitments received				
Guarantees received from tenants (including first demand guarantees)	57,893	2,783	21,644	33,466
Other first demand guarantees	400	–	400	–
Guarantees received from suppliers	2,305	220	2,085	–
Total commitments received	**60,598**	**3,003**	**24,129**	**33,466**

Contractual redevelopment and renovation obligations

At 31 December 2019, the Group's contractual commitments relating to investment property undergoing renovation totalled €67,256 thousand (€23,288 thousand at 31 December 2018), of which €48,254 thousand concerned the 83 Marceau and 106 Haussmann properties.

XI - 2) Off-balance sheet commitments related to financing

Standard mortgages

(in thousands of euros)					
Company		Pargal	Parchamps	Parhaus	
Expiry date		16 July 2023	16 July 2023	16 July 2023	Total
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**

Undrawn confirmed lines of credit

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
BECM	150,000	–	150,000	–
BNP Paribas 2016	100,000	–	100,000	–
BNP Paribas 2019	390,000	–	390,000	–
Banque Postale	75,000	–	75,000	–
Société Générale	100,000	–	100,000	–
Cadif	175,000	–	175,000	–
Total	**990,000**	**–**	**990,000**	**–**

XI - 3) Employee-related commitments

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.

One 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 2019, total commitments for the payment of compensation amounted to €3,078 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.

XII - Note to the Statement of Cash Flows

(in thousands of euros)	2019	2018
Acquisitions of and improvements to investment property		
Work	(63,754)	(38,106)
Total	**(63,754)**	**(38,106)**
Proceeds from disposals of investment property, intangible assets and property and equipment		
Sale price	1	264
Transaction costs	–	(9)
Total	**1**	**255**
Cash and cash equivalents at end of year		
Cash at bank and in hand	54,002	25,304
Bank overdrafts	–	–
Total	**54,002**	**25,304**

Non-cash changes in bonds and bank borrowings amounted to €2,694 thousand in 2019 and corresponded to the deferred recognition of debt arranging fees.

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.

XIII - 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 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
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SCI Washington	432 513 299	66	66
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100

Shareholders' pacts give the Group exclusive control over four companies that are 50%-owned.

Accordingly, all subsidiaries are controlled exclusively and fully consolidated.

SAS Société Immobilière Victoria, which was included in the consolidation scope at 31 December 2018, was merged with Société Foncière Lyonnaise on 16 May 2019, with retroactive effect from 1 January 2019.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 81.7% of the capital at 31 December 2019. The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.

Company Financial Statements for the Year Ended 31 December 2019

Balance Sheet

ASSETS

(in thousands of euros)	Total	Depreciation, amortisation and provisions	31 Dec. 2019 Net	31 Dec. 2018 Net
NON-CURRENT ASSETS				
Intangible assets				
Software	6,705	6,636	69	151
Lease premiums and goodwill(1)	–	–	–	–
Other	–	–	–	–
Intangible assets in progress	1,180	786	394	439
Property and equipment				
Land	710,136	–	710,136	677,127
Buildings	892,615	278,192	614,423	649,428
Other	5,228	3,292	1,936	2,240
Assets under construction	300,082	–	300,082	177,938
Prepayments to suppliers of property and equipment	8,233	–	8,233	–
Non-current financial assets(2)				
Shares in subsidiaries and affiliates	393,955	–	393,955	478,346
Advances to subsidiaries and affiliates	35,317	–	35,317	26,879
Other long-term investments	–	–	–	–
Loans	–	–	–	–
Other	420	–	420	407
Total I	**2,353,871**	**288,906**	**2,064,965**	**2,012,955**
CURRENT ASSETS				
Receivables(3)				
Prepayments to suppliers	17	–	17	26
Rental receivables	2,685	530	2,155	2,922
Other	455,453	–	455,453	477,348
Current financial assets				
Treasury shares	12,703	–	12,703	15,274
Other marketable securities	–	–	–	–
Treasury instruments	–	–	–	1,066
Cash at bank and in hand	9,104	–	9,104	2,904
Prepaid expenses(3)	33	–	33	79
Total II	**479,995**	**530**	**479,465**	**499,618**
Deferred debt issuance costs **(III)**	5,342	–	5,342	5,490
Debt redemption premiums **(IV)**	3,428	–	3,428	4,135
Conversion losses **(V)**	–	–	–	–
Total assets (I to V)	**2,842,636**	**289,436**	**2,553,200**	**2,522,198**
(1) Of which lease premiums				
(2) Of which due within one year (gross)			*35,317*	*26,879*
(3) Of which due beyond one year (gross)			*450,992*	*467,639*

EQUITY AND LIABILITIES

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
EQUITY		
Share capital	93,058	93,058
Share premium account	560,380	556,115
Revaluation reserve	21,439	21,439
Other reserves		
Legal reserve	9,306	9,306
Statutory reserve	–	–
Untaxed reserves	–	–
Other	–	–
Retained earnings	65,885	166,351
Interim dividend	–	–
Profit for the year	58,206	22,245
Capital and reserves	**808,274**	**868,514**
Government grants	–	–
Untaxed provisions	22,676	23,597
Total I	**830,950**	**892,111**
Participating securities	–	–
Total Ia	–	–
Provisions for contingencies and charges	5,414	5,243
Total II	**5,414**	**5,243**
LIABILITIES(1)(2)		
Convertible bonds	–	–
Other bonds	1,206,099	1,206,099
Bank borrowings(3)	–	50,186
Other borrowings	457,927	319,065
Prepaid property rentals	7,328	11,061
Trade payables	9,607	8,270
Accrued taxes and payroll costs	19,634	11,960
Due to suppliers of property and equipment	14,180	16,289
Other liabilities	1,633	1,407
Deferred income	428	507
Total III	**1,716,836**	**1,624,844**
Conversion gains **(IV)**	–	–
Total equity and liabilities (I to IV)	**2,553,200**	**2,522,198**
(1) Of which due beyond one year	1,276,943	*1,309,151*
(2) Of which due within one year	*439,893*	*315,694*
(3) Of which short-term bank loans and overdrafts	–	*147*

Profit and Loss Account

(in thousands of euros)	2019	2018
OPERATING INCOME		
Property rentals	106,292	105,852
Service revenue	1,837	1,847
Total revenue	**108,129**	**107,699**
Own-work capitalised	683	498
Reversals of depreciation, amortisation and provisions, and expense transfers	27,161	26,514
Other income	3,350	2,827
Total I	**139,323**	**137,538**
OPERATING EXPENSES		
Other purchases and external charges	27,829	29,534
Taxes other than on income	12,706	11,129
Payroll costs		
Wages and salaries	10,829	9,411
Payroll taxes and other employee benefits expenses	3,573	3,414
Depreciation, amortisation and provision expense		
Depreciation and amortisation expense	36,022	40,573
Impairment losses on current assets	115	271
Provision expense	3,597	2,966
Other expenses	618	1,328
Total II	**95,289**	**98,626**
OPERATING PROFIT (I - II)	**44,034**	**38,912**
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	39,291	31,255
From other non-current financial assets		
Other interest income	705	793
Reversals of provisions and impairment losses, and expense transfers	5,355	3,366
Net gains from sales of current financial assets		
Total III	**45,351**	**35,414**
FINANCIAL EXPENSES		
Amortisation, impairment losses and other provision expense	707	1,200
Interest expense	26,720	46,664
Net losses from sales of current financial assets		
Total IV	**27,427**	**47,864**
NET FINANCIAL INCOME (EXPENSE) (III - IV)	**17,924**	**(12,450)**
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	**61,958**	**26,462**
OTHER INCOME		
From revenue transactions	44	95
From capital transactions	239	433
Reversals of provisions and impairment losses, and expense transfers	2,974	9
Total V	**3,257**	**537**
OTHER EXPENSES		
On revenue transactions	1	6
On capital transactions	5,124	1,999
Amortisation, impairment losses and other provision expense	1,778	2,829
Total VI	**6,903**	**4,835**
OTHER INCOME/(EXPENSE), NET (V - VI)	**(3,646)**	**(4,298)**
Employee profit-sharing (IX)	151	(77)
Income tax expense (X)	(45)	(4)
Total income (I + III + V)	**187,931**	**173,489**
Total expenses (II + IV + VI + IX + X)	**129,725**	**151,244**
Profit for the year	**58,206**	**22,245**

I - Accounting Policies

The financial statements are presented in accordance with regulation ANC no. 2014-03 (amended) on the French generally accepted accounting principles (GAAP) applicable to financial years ended 31 December 2019.

The financial year covers a period of 12 months.

The amounts in the notes to the financial statements below are presented in thousands of euros.

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 consist of software purchased or developed for the Company's ERP system.

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 and impairment

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 component 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 property 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.

Market values are determined by independent valuers, except in the case of properties acquired within six months of the reporting date for which the acquisition price is considered as being representative of market value.

Valuation method

The methods used to value the properties in the portfolio comply with the *Charte de l'Expertise en Evaluation Immobilière* (property valuation charter), the February 2000 report of France's securities regulator (COB, renamed AMF), and the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with the 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 four-year terms for any given client, unless that valuer is a company, in which case the above team rotation rule applies."

The valuation of the portfolio at 31 December 2019 was performed by independent experts CBRE and Cushman & Wakefield.

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 year beyond the lease expiry dates, any rent-free years 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, according to the type of use and the surface area of each unit, lease by lease.

Based on information provided by SFL, the valuers noted that rents on certain units were above or below market rents for the year 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.

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 year-end.

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. This value is determined by the method described in b) 2-.

An additional provision 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 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).

e) Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis. A provision for doubtful accounts is recorded for rental receivables that present a risk of non-recovery.

Files are transferred to the collection department when rents 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, with fair value corresponding 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 financial instruments contracted for hedging purposes are recognised in the profit and loss account on an accruals basis.

II - Significant Events of the Year

A - Significant events

Redevelopment projects

At 31 December 2019, the three main redevelopment projects being carried out by SFL were as follows:
– Retail space in the Louvre Saint-Honoré complex, for which the planning appeal process for the new building permit obtained in March 2019 has now ended (the permit is now final). Delivery is scheduled for 2023 under a turnkey lease with the Richemont Group on over 20,000 sq.m., for which the conditions precedent were fulfilled at the end of 2019. Renovation work is due to begin in the first half of 2020.
– The Biome office complex on avenue Émile Zola (approximately 24,000 sq.m.), which will be comprehensively remodelled over the next two years. The planning appeal process for the building permit obtained in May 2018 has ended (the permit is now final), the property has been cleared and prepared for renovation and remodelling work has begun.
– The office building at 83 avenue Marceau (approximately 9,000 sq.m.), which is in the process of being redeveloped, with delivery scheduled for 2021.

No properties were purchased or sold during 2019.

In May 2019, a legal restructuring operation was carried out, involving the merger into the Company of wholly-owned subsidiary Société Immobilière Victoria, with retroactive effect as of 1 January 2019. The purpose of the operation was to simplify the Group's legal organisation. As the entire capital of the merged company was owned by SFL, no SFL shares were issued or exchanged as consideration for the merger.

Financing

In June 2019, a €390 million, five-year syndicated revolving line of credit was set up with SFL's banking pool. This new facility cancels and replaces a previous €400 million syndicated revolving line of credit that was reduced to €250 million in 2018 and was due to expire in July 2020.

The negotiable European commercial paper (NEU CP) programme set up in 2018 was increased during the year from €300 million to €500 million. Issuance under the programme amounted to €387 million at 31 December 2019.

In the third quarter of 2019, new interest rate hedges were set up on a total notional amount of €300 million, allowing the Group to benefit from very attractive interest rates.

All these transactions have enabled the Group to extend the average maturity of its debt while continuing to enjoy historically low average borrowing costs.

B - 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	31 Dec. 2018	Additions	Disposals	Reclassifications	31 Dec. 2019
Software	6,656	–	–	49	6,705
Other	–	–	–	–	–
Intangible assets in progress	886	343	–	(49)	1,180
Prepayments to suppliers of intangible assets	–	–	–	–	–
Total	**7,542**	**343**	–	–	**7,885**

Software includes both software licences and internally-developed software.

Amortisation and impairment of intangible assets	31 Dec. 2018	Amortisation and impairment for the year	Amortisation and impairment written off on disposals and other	31 Dec. 2019
Software	6,505	131	–	6,636
Intangible assets in progress	447	339	–	786
Total	**6,952**	**470**	–	**7,422**

A - 1.2) Property and equipment

Property and equipment at cost	31 Dec. 2018	Additions	Disposals	Reclassifications	31 Dec. 2019
Land	677,127	99,004	–	(65,995)	710,136
Buildings	454,521	–	6,184	(9,405)	438,932
Leasehold buildings	–	–	–	–	–
Fixtures and fittings	456,051	–	12,786	10,418	453,683
Furniture and equipment	5,178	–	71	121	5,228
Assets under construction	177,938	57,419	–	64,725	300,082
Prepayments to suppliers of property and equipment	–	8,233	–	–	8,233
Total	**1,770,815**	**164,656**	**19,041**	**(136)**	**1,916,294**

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	31 Dec. 2018	Depreciation for the year	Depreciation written off on disposals	Reclassifications	31 Dec. 2019
Land	–	–	–	–	–
Buildings	57,759	7,573	3,486	(136)	61,710
Fixtures and fittings	203,384	25,880	12,782	–	216,482
Furniture and equipment	2,939	424	71	–	3,292
Total	**264,082**	**33,877**	**16,339**	**(136)**	**281,484**

No impairment losses were recorded on any of the Company's properties at 31 December 2019.

A - 1.3) Non-current financial assets

Shares in subsidiaries and affiliates are presented below (list of subsidiaries and affiliates):

Non-current financial assets at cost	31 Dec. 2018	Additions	Disposals	31 Dec. 2019
Shares in subsidiaries and affiliates	478,346	2,370	86,761	393,955
Advances to subsidiaries and affiliates	26,879	35,317	26,879	35,317
Loans	–	–	–	–
Deposits	407	13	–	420
Total	**505,632**	**37,701**	**113,640**	**429,692**

Analysis by maturity at 31 December 2019	Total	*o/w accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current financial assets					
Advances to subsidiaries and affiliates	35,317	*35,317*	35,317	–	–
Deposits	420	–	–	–	420

LIST OF SUBSIDIARIES AND AFFILIATES

Company	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment: Cost	Carrying amount of investment: Net	Outstanding loans and advances granted by SFL	Outstanding guarantees	Last published net revenue	Last published profit	Dividends received during the year	Observations
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	118,611	100%	291,847	291,847	–	–	18,881	14,865	–	–
SCI 103 Grenelle	0.15	12,537	100%	1,169	1,169	150,915	–	12,732	8,603	–	–
SCI Washington	94,872	20,997	66%	79,789	79,789	96,833	–	25,735	14,836	–	–
SAS Maud	1,480	(331)	100%	2,450	2,450	–	–	5,491	(331)	–	–
2. Affiliates (10-50%-owned)											
SAS Parholding	15,000	14,376	50%	18,400	18,400	–	–	–	11,516	3,394	–
B - Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)	–	–	–	300	300	201,478	–	–	2,741	580	–
Affiliates (less than 50%-owned)	–	–	–	–	–	–	–	–	–	–	–

A - 2) Receivables

Analysis by maturity at 31 December 2019	Total	*o/w accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Prepayments to suppliers	17	–	17	–	–
Trade receivables	2,685	*1,141*	1,670	1,015	–
Other					
• Employee advances	11	–	11	–	–
• Prepaid and recoverable taxes	4,479	*5*	4,479	–	–
• Current account advances	450,022	*44*	44	–	449,977
• Miscellaneous receivables	941	*284*	941	–	–
Prepaid expenses	33	–	33	–	–

Impairment	31 Dec. 2018	Additions	Disposals	31 Dec. 2019
Rental receivables	473	115	57	530
Total	**473**	**115**	**57**	**530**

A - 3) Current financial assets

Marketable securities consist exclusively of treasury shares.

The total carrying amount of treasury shares held at 31 December 2019 came to €12,703 thousand compared with a market value of €16,111 thousand, reflecting the average share price of €72.51 for the month of December 2019 (versus €62.54 for December 2018).

Treasury shares	31 Dec. 2018	Additions(1)	Disposals	31 Dec. 2019
Number of shares	274,274	76,667	128,754	222,187
Average purchase/sale price	€55.69	€66.58	€59.62	€57.17
Total	**15,274**	**5,105**	**7,676**	**12,703**

(1) Including 48,460 shares allocated to performance share plans.

Treasury shares	Number of shares	Cost	Provisions	Net	Market value	Gross gain or loss
Shares allocated to share-based payment plans(1)						
2017 performance share plan	46,494	2,641	N/A(1)	2,641	–	–
2018 performance share plan	31,952	1,853	N/A(1)	1,853	–	–
2019 performance share plan	32,736	2,108	N/A(1)	2,108	–	–
Sub-total	**111,182**	**6,602**	**0**	**6,602**	–	–
Available treasury shares						
Shares held for future stock-for-stock acquisitions	87,472	5,378	0	5,378	6,343	965
Shares held for external growth transactions	23,283	705	0	705	1,688	983
Shares held under the liquidity contract	250	18	0	18	18	0
Sub-total	**111,005**	**6,101**	**0**	**6,101**	–	–
Total	**222,187**	**12,703**	**0**	**12,703**	–	–

(1) Treasury shares allocated to performance share plans concern SFL Group companies and are carried at cost.

Performance share plans for Company employees are as follows:

Details of the performance share plans	Plan no. 4	Plan no. 5	
Date of General Meeting	13 Nov. 2015	20 Apr. 2018	20 Apr. 2018
Grant date	3 Mar. 2017	20 Apr. 2018	15 Feb. 2019
End of vesting period	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021
Initial expected vesting rate	70.83%	100.00%	100.00%
Target number of shares	22,691	32,280	32,948
Value per share[1]	€48.70	€58.00	€64.40

(1) SFL share price on the grant date.

Number of performance share rights expected to vest	Plan no. 4	Plan no. 5	
Number of shares expected to vest at beginning of the year	29,796	30,824	–
Performance share rights granted during the year	14,856	–	31,664
Performance share rights cancelled during the year (departures/vesting conditions not met)	(126)	(184)	(212)
Expected vesting rate at 31 December 2019	150.00%	100.00%	100.00%
Number of shares expected to vest at the year-end	**44,526**	**30,640**	**31,452**

A - 4) Treasury instruments

Option premiums (caps)	Life of the instrument	Total	Amortisation for the year	Accumulated amortisation	Disposals	Net
Cadif 25 bps cap – value at 16 November 2017	5 years	1,390	1,040	1,364	26	0
Total		**1,390**	**1,040**	**1,364**	**26**	**0**

The cap on a notional amount of €100,000 thousand set up with an effective date of 16 November 2017 was unwound in September 2019.

A - 5) Deferred charges

Debt issuance costs	Amortisation period	Total	Accumulated amortisation at 1 Jan. 2019	Amortisation for the year	Accumulated amortisation at 31 Dec. 2019	Net
2014 bond issuance costs	7 years	2,465	1,746	247	1,993	472
2015 bond issuance costs	7 years	2,407	1,474	241	1,715	692
2018 bond issuance costs	7 years	1,946	162	278	440	1,506
2015 BNP Paribas loan fees	5 years	1,222	993	229	1,222	0
2016 BNP Paribas loan fees	5 years	772	398	227	625	147
2017 Crédit Agricole loan fees	6 years	320	82	53	135	185
2017 Crédit Agricole loan fees, addendum 1	5.5 years	230	42	42	84	146
2017 Banque Postale loan fees	7 years	263	56	38	94	169
2018 BECM loan fees	5 years	525	44	105	149	376
2018 Société Générale loan fees	5 years	400	12	69	81	319
2019 BNP Paribas loan fees	5 years	1,478	0	148	148	1,330
Total		**12,028**	**5,009**	**1,677**	**6,686**	**5,342**

Fees are amortised over the life of the loan at the same rate as repayments.

A - 6) Debt redemption premiums

Redemption premiums	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2014 bonds	7 years	615	62	497	118
2015 bonds	7 years	735	74	524	211
2018 bonds	7 years	4,005	572	906	3,099
Total		**5,355**	**708**	**1,927**	**3,428**

Redemption premiums are amortised over the life of the loan at the same rate as repayments.

A - 7) Equity

A - 7.1) Changes in equity

A. Equity at 31 December 2018 before appropriation of profit for the year	**892,111**
B. Appropriations decided at the Annual General Meeting	
Transfer to the legal reserve	–
C. Dividend paid during the year	
2018 dividend decided by the Annual General Meeting of 5 April 2019	(122,711)
D. Other movements for the year	
Increase in the merger premium account	4,265
Reduction in the share premium account	–
Change in untaxed provisions	(921)
Profit for the year	58,206
E. Equity at 31 December 2019	**830,950**
F. Change in equity during the year	**(61,161)**

At 31 December 2019, 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 46,306,787.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 81.71% of the capital at 31 December 2019.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties.

Untaxed provisions	31 Dec. 2018	Increases	Decreases	31 Dec. 2019
Excess tax depreciation	23,597	1,778	2,699	22,676
Total	**23,597**	**1,778**	**2,699**	**22,676**

Reversals of excess tax depreciation mainly concern the amounts reversed following completion of site preparation work in the 83 Marceau property.

A - 7.2) Dividends

Dividends	2019		2018	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	122,711	€2.65	106,383	€2.30
Total	**122,711**	**€2.65**	**106,383**	**€2.30**

A - 7.3) Provisions for contingencies and charges

Provisions for contingencies and charges	31 Dec. 2018	Increases	Decreases	31 Dec. 2019
Provisions for property-related contingencies and tenant claims	475	–	–	475
Provisions for employee benefits	4,252	3,597	2,910	4,939
Provisions for employee-related and tax risks	42	–	42	–
Provisions for financial risks	474	–	474	–
Total	**5,243**	**3,597**	**3,426**	**5,414**

Provisions for contingencies and charges are determined using Management estimates and assumptions based on information and circumstances existing at the time of the preparation of the financial statements, and Management's judgement.

Provisions for property-related contingencies and tenant claims mainly concern former tenants.

Provisions for employee benefits correspond for the most part to deferred performance share plan costs. Decreases in 2019 included the €2,910 thousand provision reversed upon delivery of shares granted under the 2016 Plan.

The decrease in provisions for financial risks in 2019 reflects reversals of provisions for unrealised losses on financial instruments.

A - 8) Liabilities

Liabilities by maturity at 31 December 2019	Total	*o/w accrued expenses*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds	1,206,099	*6,099*	6,099	700,000	500,000
Bank borrowings	–	–	–	–	–
Other borrowings and financial liabilities					
. Tenant deposits	16,087	–	–	–	16,087
. Negotiable European commercial paper (NEU CP)	386,500	–	386,500	–	–
. Current account advances	55,340	*112*	112	–	55,228
Prepaid property rentals	7,328	–	7,328	–	–
Trade payables	9,607	*8,726*	9,607	–	–
Accrued payroll costs	5,183	*4,687*	5,183	–	–
Accrued taxes	14,451	–	9,167	5,284	–
Due to suppliers of property	14,180	*12,371*	14,180	–	–
Other liabilities	1,633	*288*	1,633	–	–
Deferred income	428	–	84	311	33
Total	**1,716,836**	***32,283***	**439,893**	**705,595**	**571,347**

Prepaid property rentals correspond to rent and property expenses for the first quarter of 2020 payable in advance.
Accrued payroll costs include discretionary and statutory profit-sharing and bonus accruals.
Accrued taxes include the two annual exit tax instalments due on the 131 Wagram and Biome buildings, for a total of €13,822 thousand.

Changes in long- and short-term debt	31 Dec. 2019	31 Dec. 2018	Year-on-year change
2014 bonds	350,647	350,647	0
2015 bonds	350,992	350,992	0
2018 bonds	504,459	504,459	0
2016 BNP Paribas loan	–	50,039	(50,039)
Bank overdrafts	–	147	(147)
Negotiable European commercial paper (NEU CP)	386,500	262,500	124,000
Total	**1,592,598**	**1,518,784**	**73,814**

B - Notes to the Profit and Loss Account

B - 1) Net revenue

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Property rentals and lease termination penalties	99,749	98,097
Property management fees	2,010	1,912
Key money	–	511
Other fees	2,197	1,954
Facility management revenues	2,336	3,378
Sub-total, Property rentals	**106,292**	**105,852**
Administration and accounting fees	143	142
Payments received for seconded employees	1,694	1,705
Sub-total, Service revenue	**1,837**	**1,847**
Total revenue	**108,129**	**107,699**

Total revenue increased very slightly in 2019.

Revenue from the #cloud.paris, Edouard VII and 131 Wagram properties increased significantly, with the arrival of new tenants or the ending of rent-free periods; however, the gains were partly offset by the departure of all the tenants from 83 Marceau, which is in the process of being renovated, and from several floors in the 176 Charles de Gaulle building at the end of 2018.

B - 2) Payroll costs

(in thousands of euros)	Administrative staff	Building staff	2019 total	2018 total
Wages and salaries				
Wages and salaries	10,757	72	10,829	9,411
Sub-total	**10,757**	**72**	**10,829**	**9,411**
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	3,006	19	3,025	2,900
Other employee benefits expenses	547	1	548	514
Sub-total	**3,553**	**20**	**3,573**	**3,414**
Total	**14,310**	**92**	**14,402**	**12,825**

The remuneration awarded to senior management (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €2,928 thousand in 2019.

Directors' fees for the year awarded to the members of the Board of Directors represented a total of €591 thousand in 2019.

B - 3) Number of employees

The average number of employees breaks down as follows:

	2019	2018
Building caretakers	2	2
Administrative staff	1	2
Supervisors	6	8
Managers	53	49
Total	**62**	**61**

B - 4) Net financial expense

(in thousands of euros)	2019	2018
Dividends from SAS Parholding	3,394	3,753
Dividends from SA Segpim	580	624
Revenue from SCI Paul Cézanne	14,865	10,694
Revenue from SNC Condorcet	2,065	1,012
Revenue from SCI Washington	9,792	9,522
Revenue from SCI 103 Grenelle	8,595	5,650
Sub-total	**39,291**	**31,255**
Interest income from current account advances to subsidiaries	671	788
Other financial income	34	5
Sub-total	**705**	**793**
Capitalised interest expense(1)	4,881	2,303
Reversals of provisions on financial instruments	474	–
Reversals of impairment of current financial assets	–	1,063
Sub-total	**5,355**	**3,366**
Financial income	**45,351**	**35,414**
Change in provisions for bond redemption premiums	707	726
Sub-total	**707**	**726**
Interest expense on bonds and bank loans	22,197	25,179
Interest expense on current account advances from subsidiaries	193	199
Interest expense on bank overdrafts	1	37
Interest on negotiable European commercial paper (NEU CP)	(890)	(137)
Bank loan arranging fees	3,595	3,391
Expenses on financial instruments	1,624	1,314
Other financial expenses(2)	–	17,156
Sub-total	**26,720**	**47,138**
Financial expenses	**27,427**	**47,864**

(1) Capitalised interest expense concerns the financing of property redevelopment projects and corresponds to the interest capitalised during the redevelopment period.
(2) Other financial expenses correspond to balancing payments made on retirement of bond issues.

B - 5) Other income and expense

(in thousands of euros)	2019	2018
Capital gains and losses on disposal of non-current assets, net	(3)	32
Fines and penalties	(1)	(1)
Capital gains and losses on sales of treasury shares, net(1)	(2,183)	(1,598)
Tax relief	33	61
Prior period adjustments, net	10	28
2019 adjustments, net	–	(1)
Untaxed provisions	(1,778)	(2,800)
Non-recurring reversals of provisions for contingencies	42	(28)
Insurance settlements	234	9
Total	**(3,646)**	**(4,298)**

(1) The net loss on sales of treasury shares is analysed in Note A-7.3).

B - 6) Income tax expense

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Corporate income tax expense	(45)	(4)
Total	**(45)**	**(4)**

C- Related party transactions

(in thousands of euros)	2019	2018
Balance Sheet		
Non-current financial assets	393,955	478,346
Advances to subsidiaries and affiliates	35,317	26,879
Other loans	388	375
Trade receivables	610	590
Other receivables	450,022	471,900
Other borrowings	157	149
Trade payables	3,409	3,134
Other liabilities	55,340	44,527
Profit and Loss Account		
Revenue	3,369	3,348
Other income	684	649
Expense transfers	312	267
Other purchases and external charges	1,911	2,040
Taxes other than on income	–	–
Property management fees	2,835	2,308
Dividend income from subsidiaries and affiliates	39,290	31,254
Interest expense on liabilities related to advances to subsidiaries and affiliates	112	106
Interest received on advances to subsidiaries and affiliates	590	696

D - 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				
Locaparis real estate guarantees	110	110	–	–
Commitments received				
GAPD Neuflize Obc/Mr and Mrs Balian	400	–	400	–
Guarantees received from tenants	31,482	–	13,839	17,643
Guarantees received from suppliers	2,169	111	2,058	–
Undrawn confirmed lines of credit				
BECM loan	150,000	–	150,000	–
Cadif loan	175,000	–	175,000	–
2018 Société Générale loan	100,000	–	100,000	–
2016 BNP Paribas loan	100,000	–	100,000	–
Banque Postale loan	75,000	–	75,000	–
Syndicated loan	390,000	–	390,000	–

Hedging portfolio

At 31 December 2019, the Company's portfolio included:

Hedging instruments	Notional amount	Maturity	Value at 31 December 2019
CA-CIB 0.23% swap	100,000	Nov. 2022	(1,605)
Société Générale collar 0%/-0.7525%	100,000	Sep. 2026	1,404
CA-CIB swap at -0.3475%	100,000	Nov. 2026	1,877
CIC swap at -0.4525%	100,000	Nov. 2026	2,416
Total	**400,000**		**4,092**

1/ A 5-year swap with CA-CIB (variable rate swapped for a fixed rate of 0.23%) on a notional amount of €100,000 thousand. The instrument came into effect on 28 November 2017. At 31 December 2019, the swap had a negative fair value of €1,605 thousand (including the borrowing cost).

2/ A zero-premium 7-year collar (0% cap and -0.7525% floor) on a notional amount of €100,000 thousand set up with Société Générale (the option writer), effective 4 September 2019. At 31 December 2019, the collar had a positive fair value of €1,404 thousand (including the borrowing cost).

3/ A 5-year forward swap with CA-CIB (variable rate swapped for a fixed rate of -0.3475%, effective 26 November 2021) on a notional amount of €100,000 thousand. At 31 December 2019, the swap had a positive fair value of €1,877 thousand (including the borrowing cost).

4/ A 5-year forward swap with CIC (variable rate swapped for a fixed rate of -0.4525% effective 26 November 2021) on a notional amount of €100,000 thousand. At 31 December 2019, the swap had a positive fair value of €2,416 thousand (including the borrowing cost).

Contractual redevelopment and renovation obligations

At 31 December 2019, the Group's contractual commitments relating to investment property undergoing renovation totalled €44,093 thousand (€21,969 thousand at 31 December 2018), of which €40,712 thousand concerned the Biome and 83 Marceau 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 €888 thousand at 31 December 2019.

The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative and that, consequently, the benefits are subject to payroll taxes.

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 0.69% and a 2.00% rate of future salary increases.

SFL'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 Company provide for the payment of one month's salary to:

- administrative staff who complete 20, 30, 35 and 40 years of service, and
- building staff who complete 25 years of 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.

E - Consolidation

The Company's financial statements are included in the consolidated financial statements of the SFL Group.

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 2019

Statutory Auditors' Report on the consolidated financial statements

Year ended 31 December 2019

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 includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Société Foncière Lyonnaise for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Fair value measurement of investment property

Notes I-3) and IV-5) to the consolidated financial statements

Description of risk	How our audit addressed this matter
The Group owns investment property that is measured at fair value as permitted under IAS 40. Gains and losses arising from changes in fair value from the previous year are recognised in profit. The carrying amount of investment property in the consolidated statement of financial position is €7,045,049 thousand, representing an increase over the year of €526,889 thousand. The property portfolio is valued by independent property valuers every six months using a set of assumptions to determine future discounted cash flows with a direct impact on the fair value of the property and therefore on profit. Given that the value of the investment property portfolio is material in relation to the consolidated financial statements taken as a whole and considering the significant use of judgement to determine the main assumptions relating to discount rates and rental values used in the appraisal process and the sensitivity of fair values to changes in these assumptions, the measurement of investment property is considered to be a key audit matter.	We verified the effective implementation and process quality of: – management's review of valuations; and – controls of data used by the property valuers in their appraisals. We assessed the competence and independence of the property valuers used by the Company. We obtained copies of the appraisal reports and compared the valuation methods used with standard industry practices. We performed a critical review of the market parameters (investment yields, discount rates, market rates) used with available market data. Using sampling techniques, we reconciled the information given by management to the independent valuers and used for the valuers' appraisals to the relevant documentation, such as leases. Accompanied by our own property experts, we met with the independent valuers and the Company's management to rationalise the overall portfolio appraisal. We verified that the appraisal values were properly accounted for and checked that the information disclosed in the notes to the consolidated financial statements was appropriate.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Société Foncière Lyonnaise by the Annual General Meetings of 20 June 1995 for PricewaterhouseCoopers Audit and 21 April 2005 for Deloitte & Associés.

At 31 December 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 25th and 15th consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

– identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
– obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
– assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
– evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 26 February 2020
The Statutory Auditors

PricewaterhouseCoopers Audit
Lionel Lepetit

Deloitte & Associés
Laure Silvestre-Siaz

Statutory Auditors' Report on the Company financial statements

Year ended 31 December 2019

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 includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Foncière Lyonnaise for the year ended 31 December 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Measurement and risk of impairment of property and equipment

Note I-b) to the Company financial statements

Description of risk	How our audit addressed this matter
Property and equipment, consisting almost exclusively of property assets, are carried in the Company's balance sheet for an amount of €1,634,810 thousand. Property is stated at cost less accumulated depreciation and any accumulated impairment losses. Impairment is determined by comparing the carrying amount to market value. The Company works with independent property valuers to determine the market value of its property portfolio every six months. Appraisal of a property asset's market value requires significant judgement to determine the appropriate assumptions. Given that the value of property and equipment is material in relation to the Company financial statements taken as a whole, and considering the significant use of judgement to determine the main assumptions used in the appraisal process, measuring property and equipment and assessing the related impairment risk are considered to be a key audit matter.	We verified the effective implementation and process quality of: – management's review of valuations; and – controls of data used by the property valuers in their appraisals. We assessed the competence and independence of the property valuers used by the Company. We obtained copies of the appraisal reports and compared the valuing methods used with standard industry practices. We performed a critical review of the market parameters (investment yields, discount rates, market rates) used with available market data. Using sampling techniques, we reconciled the information given by management to the independent valuers and used for the valuers' appraisals to the relevant documentation, such as leases. Accompanied by our own property experts, we met with the independent valuers and the Company's management to rationalise the overall portfolio appraisal. We verified that each property's market value was at least equal to the property's net book value. Where this was not the case, we obtained assurance that an impairment loss had been recorded in the accounts. We verified the appropriateness of the disclosures provided in the notes to the financial statements.

Note I-c) to the Company financial statements

Description of risk	How our audit addressed this matter
Shares in subsidiaries and affiliates are carried in the Company's balance sheet for an amount of €393,955 thousand. Certain properties are owned by subsidiaries of the Company. Shares in subsidiaries and affiliates are initially recognised at cost and an impairment loss is recorded if their value in use falls below this amount. The determination of value in use takes into account the market value of the investee's property assets, based on the reports of independent valuers. Value in use assessments require significant judgement to determine the appropriate assumptions. Given that the value of shares in subsidiaries and affiliates is material in relation to the Company financial statements taken as a whole, and considering the significant use of judgement to determine the main assumptions used to determine values in use, measuring shares in subsidiaries and affiliates and assessing the related impairment risk are considered to be a key audit matter.	Our procedures to assess whether the estimates of the value in use of shares in subsidiaries and affiliates were reasonable consisted mainly of verifying that the valuation methods were appropriate. To this end: – in the same way as for assets owned directly, we performed a critical review of the methods used to value the assets held by the subsidiaries; and – we verified that these assets' market values had been properly taken into account for the purpose of determining the value in use of shares in subsidiaries and affiliates. We also verified that the shares' value in use was at least equal to their historical cost. Where this was not the case, we obtained assurance that an impairment loss had been recorded in the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the parent company financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the Company financial statements of the information given with respect to payment terms as referred to in Article D.441-4 of the French Commercial Code.

Corporate governance report

We attest that the corporate governance section of the Board of Directors' report sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by or allocated to corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from entities controlled by it that are included in its scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L.225-37-5 of the French Commercial Code relating to items that the Company considers liable to have an impact in the event of a public cash or exchange offer, we verified the consistency of said information with the underlying documents provided to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Société Foncière Lyonnaise by the Annual General Meetings of 20 June 1995 for PricewaterhouseCoopers Audit and 21 April 2005 for Deloitte & Associés.

At 31 December 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the 25th and 15th consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these Company financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

– identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
– obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the Company financial statements;
– assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
– evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 26 February 2020
The Statutory Auditors

PricewaterhouseCoopers Audit
Lionel Lepetit

Deloitte & Associés
Laure Silvestre-Siaz

Statutory Auditors' Report on related party agreements

Annual General Meeting held to approve the financial statements for the year ended 31 December 2019

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 includes information specifically required by French law, such as information about the appointment of Statutory Auditors. 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, we hereby present our report on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, and the reasons for, the agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. 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 are appropriate and should be approved.

We are also required to disclose the information provided for under Article R.225-31 of the French Commercial Code concerning the implementation in 2019 of any related party agreements approved by shareholders in prior years.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These standards require us to perform procedures to verify that the information given to us agrees with the underlying documents.

Commitments subject to approval by shareholders

Agreements authorised and entered into during 2019

We were not advised of any agreements authorised and entered into over 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 already approved by the Annual General Meeting

Agreements approved in prior years that remained in force in 2019

In accordance with Article R.225-30 of the French Commercial Code, we were informed of the following agreements authorised in prior years that remained in force in 2019.

Agreement with Predica

Authorised at the Board of Directors' meeting of 15 November 2012.

Approved by shareholders at the Annual General Meeting of 18 April 2013.

Persons concerned: Chantal du Rivau and Jean-Jacques Duchamp.

Nature and purpose of the agreement: partnership agreement with Parholding of 26 December 2012.

This partnership agreement signed with Predica on 26 December 2012 gives Société Foncière Lyonnaise 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 subsidiary, holds over 10% of the voting rights in the Company, the partnership agreement with Predica is governed by Articles L.225-38 *et seq.* of the French Commercial Code.

Agreement with Dimitri Boulte

Authorised at the Board of Directors' meeting of 27 January 2015.

Corporate officer concerned: Dimitri Boulte, Managing Director since 27 January 2015.

Nature and purpose of the agreement: Continuation of the employment contract signed prior to the appointment of Dimitri Boulte, who, under this contract, is compensated in his capacity as an employee and is entitled to long-term incentive bonus plans and benefits in kind in his capacity as a senior executive of the Company.

Neuilly-sur-Seine and Paris-La Défense, 26 February 2020
The Statutory Auditors

PricewaterhouseCoopers Audit
Lionel Lepetit

Deloitte & Associés
Laure Silvestre-Siaz

Additional Information

1. Persons responsible for the Universal Registration Document and the audit of the accounts

1.1. Statement by the person responsible for the Universal Registration Document

Person responsible for the Universal Registration Document

Nicolas Reynaud, Chief Executive Officer

Statement by the person responsible for the Universal Registration Document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Universal 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 and describes their principal risks and contingencies.

Paris, 13 March 2020

Nicolas Reynaud
Chief Executive Officer

1.2. Statutory Auditors

AUDITORS

	First appointed	Term renewed	Term expires*
Deloitte & Associés Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 6, Place de la Pyramide – 92908 Paris La Défense – France Represented by Laure Silvestre-Siaz	21 April 2005	28 April 2017	2022
PricewaterhouseCoopers Audit Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers – 92200 Neuilly-sur-Seine – France represented by Lionel Lepetit	20 June 1995	5 April 2019	2024

*At the close of the Annual General Meeting to be called to approve the financial statements for the year indicated.

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 *(Code de commerce)*

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 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

Disclosure thresholds

The provisions of the Articles of Association concerning disclosure thresholds are summarised on page 32 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 the same 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 2019

At 31 December 2019, 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.

3.3. Ownership structure

SFL's ownership structure is described on page 28 of the Management Report.

To the best of the Company's knowledge, no arrangements exist whose implementation may result in a change in control in the future.

3.4. Shareholders' pacts

See pages 34 and 35 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

3.5. Corporate governance

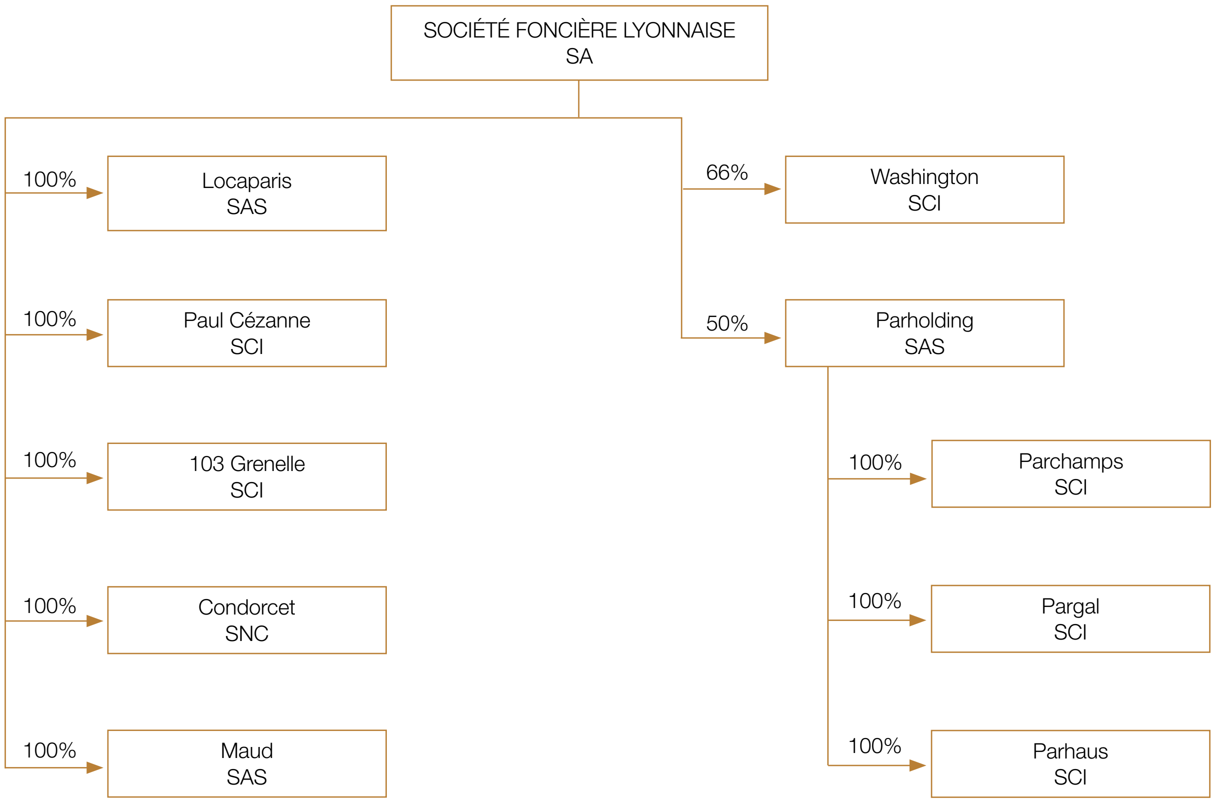
In application of Article 21 of the Articles of Association, the functions of Chairman and Chief Executive Officer were separated on 27 January 2015.

The Board of Directors' corporate governance report can be found on pages 79 *et seq.* of this document.

The Company's Articles of Association can be found on the website:
http://www.fonciere-lyonnaise.com/company/legal-information/

4. Additional information about the Group's operations and organisational structure

4.1. Organisation chart



A simplified merger agreement was signed on 5 April 2019, providing for the merger of SAS Société Immobilière Victoria into its parent company, Société Foncière Lyonnaise. The merger was carried out with effect on 16 May 2019. Consequently, Société Immobilière Victoria was dissolved without being liquidated and was removed from the Paris Trade and Companies register on 3 July 2019.

Six of the Company's active subsidiaries are wholly owned and the other active subsidiaries are 66% or 50% controlled under the terms of two shareholders' pacts with Predica.

Executive management positions (Chairman, Chief Executive Officer or Legal Manager) in these subsidiaries are held either by SFL or by a member of SFL's executive management.

SFL's Board of Directors examines the parent company and consolidated financial statements presented by the Audit Committee.

SFL and all of its subsidiaries have their registered office at 42, rue Washington in the 8th *arrondissement* of Paris.

SFL conducts arm's length transactions with some of its subsidiaries, as follows:

- The Company manages an automatic cash pooling arrangement with SAS Locaparis, SA Segpim, SCI 103 Grenelle and SAS Maud, under which SFL lends to the cash pool members at EONIA +60bps and borrows from them at EONIA -10bps.
- SFL has current account and cash management agreements with SCI Washington, SCI Paul Cézanne, SNC Condorcet Holding and SNC Condorcet Propco, under which interest on advances made and received by SFL is charged at rates ranging from 0% to 3-month Euribor +60bps.

From time to time, SFL may issue guarantees on behalf of subsidiaries, on arm's length terms.

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 any interests

The firms mentioned below have declared themselves to be independent.

All 20 properties owned by SFL have been valued and visited by experts over the last three years.

Statement by experts

SFL's entire property portfolio was valued at 31 December 2019 by two firms, CBRE and Cushman & Wakefield Valuation France.

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 second-half 2019 rent-rolls, rents on certain units were above or below observed market rents for the second half of 2019 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 7.5% 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 2019 was the discounted cash flow method.

Each of the two firms provided an individual appraisal value and is not responsible for the valuations performed by other firms.

Based on the foregoing, the appraisal value of the portfolio at 31 December 2019 was:
– €6,341,621,700 excluding transfer costs and €6,754,639,840 including transfer costs for the Group's share;
– €7,157,690,000 excluding transfer costs and €7,631,913,262 including transfer costs on a 100% basis.

Signature électronique certifiée
Anne DIGARD -FRICS-VR-REV
Président -CEO
CBRE Valuation & Advisory

Joc Guillaume

Cushman & Wakefield Valuation France SA
Tour Opus 12 - 77 Esplanade du Général de Gaulle
92081 Paris La Défense Cedex
Tél. : +33 (0)1 53 76 92 92
Société anonyme au capital de 6 616 304 €
RC Siret 332 111 574 00049
N° TVA Intracommunautaire FR10 332 111 574

Appendix: cross-reference table for the 2019 Universal Registration Document

Annex 1 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019

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Historical financial information

Financial statements and Statutory Auditors' reports for 2019: 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 2017, prepared in accordance with IFRS, and the related Auditors' Reports, as presented on pages 132 to 160 and 182 to 184 of the 2017 Registration Document (Financial and Legal Report) filed with the AMF on 29 March 2018 under No. D.18-0229.

– The consolidated financial statements for the year ended 31 December 2018, prepared in accordance with IFRS, and the related Auditors' Reports, as presented on pages 129 to 155 and 176 to 178 of the 2018 Registration Document (Financial and Legal Report) filed with the AMF on 15 March 2019 under No. D.19-0158.

SOCIETE FONCIERE LYONNAISE

French *société anonyme* with share capital of €93,057,948
Registered office: 42 rue Washington, 75008 Paris, France
Phone: + 33 (0)1 42 97 27 00 – Fax: + 33 (0)1 42 97 27 26
www.fonciere-lyonnaise.com
Paris Companies Registry: 552 040 982

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